Global Environment Facility

GEF

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May 11, 2005

Dear Council Member,

The World Bank, as the Implementing Agency for the project, ***Albania: Natural Resources Development Project***, has submitted the attached proposed project document for CEO endorsement prior to final approval of the project document in accordance with the World Bank procedures.

The Secretariat has reviewed the project document. It is consistent with the proposal approved by the Council in April 2005, and the proposed project remains consistent with the Instrument and GEF policies and procedures. The attached explanation prepared by the World Bank satisfactorily details how Council's comments and those of the STAP have been addressed. I am, therefore, endorsing the project document.

We have today posted the proposed project document on the GEF website at www.theGEF.org. If you do not have access to the Web, you may request the local field office of the World Bank or UNDP to download the document for you. Alternatively, you may request a copy of the document from the Secretariat. If you make such a request, please confirm for us your current mailing address.

Sincerely,

cc: Alternate, Implementing Agencies, STAP

THE WORLD BANK/IFC/M.I.G.A.

OFFICE MEMORANDUM

DATE: April 29, 2005

TO: Mr. Leonard Good, CEO/Chairman, GEF

FROM: Steve Gorman, GEF Executive Coordinator 

EXTENSION: 35865

SUBJECT: **ALBANIA*:* Natural Resources Development Project**
Submission for Final CEO Endorsement

1. Please find attached the electronic file of the GEF Project Document for the above-mentioned project for your final review and endorsement. This project was approved for Work Program entry at the February 2005 Intercessional, under streamlined CEO endorsement procedures. We would appreciate receiving your response by May 2nd, 2005, so that we may finalize the Bank Board submission.

2. The GEF Project Document is fully consistent with the objectives, scope, and overall cost of the proposal approved at the February 2005 Intercessional. During final preparation modifications to the Project Document have been made, namely, certain project activities previously included under component A are now included under component B of the project. More specifically, the forest and pasture management activities in the 30 communes where a micro-catchment's approach is planned were previously included under component A but are now presented as part of component B (please see Section B 4, Annex 4 and Annex 5). This does not impact the overall scope of the project.

3. We received comments from the US Council member regarding more detailed targets for some indicators. Specific and quantified targets for all indicators are set forth in Annex 3 "Results Framework and Monitoring" in the Project Document (please see Table "Arrangements for Results Monitoring").

4. Co-financing from SIDA was confirmed in writing on April 11, 2005. Co-financing from Government was confirmed during negotiations from March 23rd to March 24th, 2005.

5. Please let me know if you require any additional information to complete your review of the project document. We look forward to receiving your endorsement of the project for Bank Board approval.

Many thanks.

Attachments

cc: Messrs./Mmes. King, GEF PROGRAM COORDINATION (GEFSEC); Bromhead, Stewart, Lecocq, Zeki, Cherevatova (ECSSD); Aasrud (OPCDM); Battaglini (RC); Lusigi, Kutter, Khanna, Wedderburn, Aparakka (ENV); ENVGC ISC, Regional Files

Document of
The World Bank

Report No: 32231-AL

PROJECT DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 4.6 MILLION
(USD7 MILLION EQUIVALENT)

AND

PROPOSED GRANT FROM THE
GLOBAL ENVIRONMENT FACILITY TRUST FUND

IN THE AMOUNT OF USD5 MILLION

TO

ALBANIA

FOR A

NATURAL RESOURCES DEVELOPMENT PROJECT.

April 29, 2005

CURRENCY EQUIVALENTS

(Exchange Rate Effective February 28, 2005)

Currency Unit	=	ALL (Albanian Lek)
ALL 95.90	=	US$ 1
US$	=	SDR 1.53

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AFP	Albania Forestry Project
ANFI	Albania National Forest and Pastures Inventory
CAS	Country Assistance Strategy
CFP	Community Forests and Pasture
DFS	District Forest Service
DGFP	General Directorate of Forests and Pastures
EA	Environmental Assessment
ERR	Economic Rate of Return
EMF	Environmental Management Framework
EU	European Union
FMR	Financial Monitoring Reports
FPDS	Forest and Pasture Strategy
FPUA	Forest and Pasture User Associations
GEF	Global Environment Facility
GoA	Government of Albania
LAP	Land Administration and Protection Office
MAF	Ministry of Agriculture and Food
M&E	Monitoring and Evaluation
MC	Micro-Catchment
MOF	Ministry of Finance
NPV	Net Present Value
NRDP	Natural Resources Development Project
NSSED	National Strategy for Socio-Economic Development
NTFP	Non-Timber Forest Products
PMT	Project Management Team
PTC	Project Technical Committee
PIM	Project Implementation Manual
PIOC	Project Implementation Oversight Committee
RC	Regional Coordinator
RM	Regional Manager
RWST	Regional Watershed Supporting Team
SA	Social Assessment

Sida	Swedish International Development Cooperation Agency
SIL	Specific Investment Loan
SNV	Netherlands Development Organization
UNDP	United Nations Development Program
USAID	United States Agency for International Development
WFP	World Food Program

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Country Manager/Director:	Orsalia Kalantzopoulos
Sector Manager:	Marjory-Anne Bromhead
Task Team Leader:	John Fraser Stewart

ALBANIA
NATURAL RESOURCE DEVELOPMENT PROJ.

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A. STRATEGIC CONTEXT AND RATIONALE

1. Country and sector issues

Albania's per capita GDP is estimated at US$ 1,800 (2003), one of the lowest in Europe. It is a mountainous country, with 60% of land area above 600 m elevation, and high but variable rainfall. Sustainable management of natural resources in upland areas is key to improving the productivity and incomes of the population living in these areas (58% of the total), to broader landscape and ecosystems conservation, and also to more reliable delivery of hydro-electric power, erosion control and flood management in lower lying areas in Albania, where the population is rising rapidly.

Forests and pastures account for 56% of land-use overall in Albania, and are the predominant land use in upland areas. Agriculture accounts for 25% of GDP, but with average farm size for arable land at less than 1 hectare. Livestock, dependent on pastures and forest products, accounts for nearly half of agricultural GDP. Forests are critical for meeting the daily needs of people in rural and upland areas, accounting for nearly 70% of winter energy needs, as well as building material, and income from non-timber products such as medicinal plants. Albania's hilly and mountain landscapes have great natural beauty but improved management is important if their tourism value is to be realized.

Poverty is concentrated in rural areas, in particular in hilly and mountainous areas, which account for 70% of the poor, and in the north-east of the country. There are also strong links between poverty and environmental degradation. While rural-urban migration will continue, carefully managed improved productivity in the rural mountainous areas should contribute to overall poverty reduction and sustainable economic growth.

Sustainable natural resource management in Albania is also important for protection of global environmental goods. Improved land management in hilly areas is key to controlling runoff into the sea and enhancing coastal and marine water quality and ecosystems in the Adriatic, identified as a high priority for conservation measures in the Mediterranean Action Plan. Albania, with its varied topography and combination of Mediterranean and Balkan influences, is rich in biodiversity and improved land use and forest management will help to restore natural ecosystems. Reforestation of degraded lands could also increase carbon sequestration.

Albania's National Strategy for Socio-Economic Development (NSSED), completed in 2003 following a highly participatory process, includes two pillars: improved governance, and strong economic growth and poverty reduction. Governance has been a particularly problematic issue in the transition period, as previous centralized institutions have broken down, and the poverty and instability in the early transition years led to delays in creating effective, responsive institutions adapted to new political realities. For forestry, illegal harvesting has been a particular challenge requiring a multi-sectoral response. The most effective approach to date has been support for community forest and pasture associations, encouraging local management of these resources. This was the most successful component of a recently closed Albania Forestry Project (AFP) supported by the World Bank and other donors. Community-based approaches have also proved successful in other sectors. It is necessary to move on to complement bottom up

approach with accompanying institutional strengthening priority actions in line with the country's development agenda.

In recognition of this, government passed the Law on Organization and Functioning of Local Government in 2000, which increased the responsibility of local government for delivery of a broad range of services, including local infrastructure, public order, natural resource and forest management and environmental protection. The decentralization strategy was to be supported by fiscal decentralization, both through transfers from central government to local bodies, and by enhanced capacity for local revenue generation. The second level of government are the regions (qarks) which according to the law are conceived as coordinating bodies with a few exclusive responsibilities for formulating and implementing regional policies in compliance with national policies (mainly for interurban and rural roads, regional transportation services, regional land use planning and regional environmental measures).

Implementation of the 2000 law is progressing slowly but is supported by the Bank and other donors, and is consistent with evolving government structures in many EU member and accession countries. The NSSED for the 2003-2006 period sets targets for the decentralization process, and the Bank has provided assistance through analytical work and development policy lending, including a study on fiscal decentralization. The proposed project will support the decentralization reform of the country by strengthening the local and regional capacities to better manage their natural resources (Government and user associations), and by facilitating the transfer of commune[1] user-rights[2]. The project will also support the review and improvement of the legal framework for land registration, ownership and management of forest and pasture land.

The NSSED highlights the severe environmental degradation that the country faced during the transition and emphasizes that improved natural resource management is key to enhanced rural development and poverty reduction. The Bank has also supported development of a Rural Strategy in 2002, and improved natural resource management as one of its pillars.

Government is working with the Bank on natural resource management in three complementary areas, all of which also include emphasis on improved public sector management, enhanced governance, decentralization and a better institutional framework for sustainable private sector led development. The first of these is the Irrigation / Water Resources Management Project, which aims to improve irrigation, drainage and flood management institutions, mostly in low-lying but also in some hilly areas. The second is the Coastal Zone Management project, under preparation, which aims to support establishment of an improved framework for sustainable development and protection of Albania's valuable, but highly threatened, coastline. The third is the proposed Natural Resources Development Project (NRDP), which focuses on hilly and mountainous areas.

The Government is fully committed to the proposed operation. The Government of Albania has requested World Bank assistance to prepare the NRDP and Government staff is actively contributing to project preparation. The Government has confirmed the intention to contribute

[1] Commune: lowest rung of local government administration.
[2] At mid-term review, the project team will assess whether the then existing legal and institutional framework allows for an extension of the transfer of commune user rights to the transfer of commune ownership rights on a pilot basis.

about US$ 2.2 million over the five-year life of the project.Albania's obligations under the UN Convention to Combat Desertification entered into force since July 26, 2000, and the country is eligible for GEF financing. The Government of Albania demonstrates strong commitment to addressing land degradation, strengthening sustainable natural resources management, and preserving global environmental values. In 2002, Albania submitted its first National Report to the UNCCD that describes the measures taken by Albania for the implementation of the UNCCD. It highlights, the need and importance to (i) finalize and adopt the National Action Plan (NAP) for land degradation, (ii) continue and intensify participatory processes in support of land protection, (iii) ensure support and funding from different international partners, (iv) continue the decentralization process which has just started, (v) continue the delegation of the use of resources to local authorities, and (vi) request an increased allocation from the State budget for land protection. The proposed NRDP directly contributes to these priorities since it will support the decentralization reform of the country by strengthening the local and regional capacities to better manage their natural resources (Government and user associations), and by facilitating the transfer of forest and pasture user-rights to communes.

2. Rationale for Bank involvement

The Bank has a long-term commitment to supporting Albania's growth, governance and public sector management, decentralization and poverty reduction agenda. It has substantial experience in supporting improved natural resource management within this framework, both in Albania and in other countries and there is strong commitment from government to work with the Bank in these areas.

Previous Bank natural resource management projects which adopt participatory approaches, and combine measures to restore land productivity with those that provide quick and demonstrable benefits, have proved successful. Additionally, previous Bank financed projects in Albania, where local communities have been empowered and assisted to take responsibility for managing their resources have produced positive impacts. The project will strongly build on approaches and opportunities for synergy developed through other Bank projects, including the Albania Forestry Project, the Agricultural Services Project, the Microcredit Project and the Irrigation / Water Resources Management Project. The Bank's ability to foster dialogue and influence policy is critical in the context of the on-going institutional reform and decentralization.

The Bank has been successful in working with other donors to implement sustainable natural resource management projects within a common framework. The recently completed Albania Forestry project and the Irrigation / Water Resources Management Projects had strong cooperation with other donors. Similarly, the proposed project would be implemented with support from the governments of Sweden.

The Bank also has substantial experience in mainstreaming activities which enhance conservation of global public goods within broader national and regional programs supported by the Bank. In particular, a program for addressing land-based sources of pollution into the Adriatic and Mediterranean is under preparation; diagnostic work has confirmed that reduced erosion would play a key role in this.

3. Higher level objectives to which the project contributes

The project contributes to two key pillars of the government's National Strategy for Socio-Economic Development (see above). It is consistent with the National Environmental Action Plan, updated in 2000. It supports the three key elements of the 2002 Country Assistance Strategy (CAS): poverty alleviation and human development; sustainable private sector led growth in hilly and mountainous areas; and improved governance and institution building, with a focus on building the capacity of communes and user associations to manage resources sustainably and transparently, as well as of Government institutions at central, regional and local level to support sustainable natural resources management. The strategic pillars of the 2006-2008 CAS are still under development it is likely to include continued support in these areas. The project is also consistent with the Bank's Rural and Forestry Strategies, approved in 2003.

The project also supports enhanced protection of global public goods, including global forest, pasture and aquatic biodiversity, reduced land-based pollution of the Mediterranean, and increased forest cover and carbon sequestration. The 2003 Albanian Biodiversity Strategy also supports measures to reduce degradation and erosion of agricultural lands and to incorporate ecological considerations into the use of forest resources.

The project follows the GEF Strategic Guidelines and addresses GEF Operational Program No. 15 – Sustainable Land Management. It addresses the Program's objective to mitigate the causes and negative impacts of land degradation on the structure and functional integrity of ecosystems through sustainable land management practices as a contribution to improving people's livelihoods and economic well-being. The project addresses the following GEF strategic priority: Implementation of Innovative and Indigenous Sustainable Land Management Practices (SLM-2).

B. PROJECT DESCRIPTION

1. Lending instrument

The proposed project will be financed through a Specific Investment Loan (SIL) of US$ 7 million IDA credit with terms applicable to Albania; a US$ 5 million Global Environment Facility (GEF) grant, and a SEK40 million grant from the Swedish International Development Cooperation Agency (Sida).

2. Project development objective and key indicators

The project development objective is to establish or maintain sustainable, community-based natural resource management in about 218 communes in upland and mountainous erosion-prone lands. This will lead to enhanced productivity and incomes derived from sustainable resource management, reduced soil degradation, improved water management, conservation of biodiversity, and strengthened public sector management of these resources.

Key indicators include:

- About 660,000 ha of land (most of the upland erosion-prone commune land in Albania) being managed by local communities in accordance with sustainable natural resource

management plans, supporting the rehabilitation of natural resources, habitats and indigenous species;
- At least 10% increase in economic benefits at the commune or village level derived from sustainable use of natural resources;
- Increase in carbon sequestration by 160,000 t CO2 in the BioCarbon Fund project sites;
- Usufruct rights defined, agreed, documented, mapped and demarcated in 218 communes.

3. Project global environmental objective and key indicators

The project global environmental objective is to reverse severe degradation of upland and mountainous erosion-prone lands, and sediment runoff to the Adriatic Sea, through rehabilitating and sustainably managing natural resources, including globally significant biodiversity. Key indicators include, as listed in the above paragraph, management of 660,000 ha of upland areas in accordance with sustainable natural resource management plans and increase in carbon sequestration by 160,000 tCO2.

4. Project components

The project will strengthen the community-based approach to forest and pasture management developed for 138 communes under the Albania Forestry Project (AFP), as well as scale up coverage to include about 80 additional communes. The project will thereby establish resource rehabilitation and sustainable management of forests and pastures in 218 communes i.e. most of the commune lands of upland areas of Albania that are experiencing resource degradation and erosion. This area includes approximately 485,000 ha of forest lands, and 175,000 ha of pastures in upland areas of all 12 regions in Albania, and will reach a rural population of more than one million people. The project will continue to update and prepare management plans (which were prepared for about 450,000 ha of forest and pasture under the AFP, and will be prepared for 210,000 additional ha under the NRDP), including the documentation of user rights, as a condition for the transfer of user-rights to forest and pasture resources to communes and implement a series of small-scale investments in communal forests and pastures.

Based on successful Bank experiences in other countries, the project will pilot integrated management of natural resources in three of Albania's seven watersheds, focusing on five regions located in the northern and eastern areas of the country[3]. In 30 of the 218 communes covered by the project[4], the project will therefore introduce a multi-sectoral approach to planning and management of natural resources at the level of micro-catchments (MCs)[5]. This will include the integration of forest and pasture management with crop and livestock production, as well as soil and water conservation, in a mutually reinforcing manner. The project will apply a

[3] The three watersheds include Drini, Mati, and Shkumbini, while the five regions include Dibra, Korce, Kukes, Lezha, Elbasan and Korce.
[4] Of these 30 communes, about 23 were already supported under the AFP.
[5] Watersheds are defined by the topographical limits of their water catchment. Micro-catchments (MCs) are smaller catchment areas within a watershed, also defined by hydrological boundaries. In the Albanian context, the average size of an MC is approximately 7,000 ha, with an average population of about 4,000. Each MC includes only one commune.

participatory approach to assisting communities living in MCs to plan and manage their resources.

Project objectives will therefore be achieved through implementing two main components:

- **Component A**: **Improved Management and Governance of Forests and Pastures**, which will include (i) strengthening participatory communal forest and pasture management in 115 communes that were supported under the AFP and capturing of carbon finance through carbon sequestration in 30 communes, and (ii) introducing participatory communal forest and pasture management in 73 communes that were not supported under the AFP. This component will also implement capacity-building measures and priority actions to improve the governance of forest and pasture resources.
- **Component B: Improved Management and Governance of Watershed**, which will introduce integrated resource management in 30 micro-catchments. This component will also build the capacity of Government, Drainage Boards and commune staff, at district, regional and national levels in the context of MC management. Last, it will inform ongoing legal developments regarding land administration and tenure.

Component A: Improved Management and Governance of Forests and Pastures (US$ 13.19 million, of which GEF US$ 4.34 million)

A.1. Strengthening participatory forest and pasture management in communes that were supported under the AFP.

In about 115 communes already supported under the AFP, the project will update existing communal forest and pasture management plans (prepared under the AFP), including the documentation of different individual and user group rights over commune forest and pasture lands to better secure users' tenure rights. The project will also continue to support implementation of updated forest and pasture management plans established under the AFP. The project will provide support to management plan implementation through provision of small-scale investments within a fixed budget ceiling of US$ 30,000 per commune, supported by in-kind community contributions equivalent to at least 20% of the value of the investments. Implementing the forest and pasture communal management plans may entail: (i) *land stabilization*: construction of check dams, maintenance or protection of existing infrastructure, and planting of trees and shrubs in order to reduce flooding, landslides and sedimentation, (ii) *resource rehabilitation*: controlling grazing, and assisted natural regeneration of forests and pastures and (iii) *sustainable resource use*: pre-commercial thinning and coppicing, and pasture development and management.

The BioCarbon Fund has expressed interest in purchasing emission reductions from Albania, resulting from a proposed "Assisted Natural Regeneration of Degraded Lands" Biocarbon Fund project, which will be included in the NRDP. The BioCarbon Fund pays on verification that carbon has been sequestered. To make such a sale of emission reductions to the BioCarbon Fund possible, additional project resources will be allocated to about 30 of the communes that earlier received support under the AFP - and where areas of severely degraded lands still prevail - to make investments needed to sequester carbon through assisted natural regeneration in about 6,000 ha.

A.2. Introducing participatory forest and pasture management. The project will document usufruct rights and prepare participatory communal forest and pasture management plans in about 73 communes where transfer of usufruct rights has not yet taken place. The project will support implementation of the forest and pasture management plans through provision of small-scale investments. The investments will be within a fixed budget ceiling of US$ 40,000 per commune, supported by in-kind community contributions equivalent to at least 20% of their value. Activities will fall under the same categories as listed under A.1.

A.3. Strengthening governance for forest and pasture management. The project will strengthen governance for forest and pasture management through training of DGFP and DFS in participatory provision of extension advice; and building the capacity of existing and new Forest and Pasture User Associations (FPUAs) as well as the growing network of non-governmental FPUAs, with focus on technical effectiveness, financial and social sustainability. It will also implement priority actions in the National Strategy for the Development of Forests and Pasture. This will entail: (i) supporting institutional reform and development within DGFP and DFS through an action plan to implement the strategy, clarifying roles and responsibilities within DGFP and DFS in the framework of the on-going institutional and regulatory development, and introducing performance-related budgeting, (ii) building awareness of the strategy within DGFP and DFS, (iii) strengthening and improving the legal and regulatory framework for forest and pasture management, (iv) developing the forests and pastures register, (v) further developing the inter-sectoral action plan to address illegal logging, and implementing elements of the action plan in project areas, and (vi) enhancing forest fire management at local levels.

Component B: Improved Management and Governance of Watersheds (US$ 4.00 million, of which GEF US$ 0.45 million)

B.1. Introducing integrated resource management in micro-catchments (MCs). The project will pilot integrated resource management in 30 micro-catchments selected in a participatory and transparent manner. The MCs will encompass an approximate area of 190,000 ha, with a population of about 125,000 people. The project will prepare 30 integrated MCs plans through a participatory process. The project will also prepare or update forest and pasture management plans for these 30 communes. MC plans will build on forest and pasture management plans and refer to the key actions that they identify. The project will then provide small-scale investments and/or technical support for activities identified in the planning process. The range of supported activities will involve (i) investments in communal forest and pasture management (as described under A.1.), (ii) investments in rehabilitation of state forests and (iii) investments in agricultural developments, selected from a menu of activities. Investments in agricultural development would entail: (i) *rehabilitation of agricultural land*: protection and improvement of poor, degraded bare agricultural land; fallow reduction; appropriate use of marginal lands and (ii) *sustainable use of agricultural land and livestock production so as to reduce the need to cultivate or graze on marginal and erosion prone areas*: establishment of shelterbelts around fields; wild tree grafting; demonstration of improved practices; improving rain-fed agriculture and irrigated agriculture; irrigated fodder crop production; development of vegetable production. The project will support implementation of the MC management plans up to a budget ceiling of US$ 95,000. Interventions will be supported by in-kind community contributions equivalent to at least 20% of their value.

B.2. Strengthening governance for watershed management. The Project will train Regional Agricultural Directorates, Drainage Boards, DFS and commune staff, at district, regional and national levels in the provision of extension advice in the context of MC management. The recently established Land Administration and Protection Offices (LAPs) within the Ministry of Agriculture and Food could become key to achieving sustainable watershed management. In areas addressed by the MC planning approach, the project will assess the capacity of these offices and enhance linkages between DGFP, DFS and the LAPs within the context of the micro-catchment planning approach. Last, the project will draw on its experience in forest and pasture management, and on its experience in MC management, in order to inform ongoing legal developments regarding land administration and tenure.

Component C: Management and Monitoring (US$ 2.21 million, of which GEF US$ 0.20 million)

Implementation would be undertaken by local communities supported by staff from the branch offices of the DGFP together with Regional staff from the Ministry of Agriculture. The project would support (i) at the central level a small project management team with overall responsibility for procurement and financial management, (ii) regional coordinators where component B will be implemented. Services would also be contracted to assist with enhanced public awareness of the benefits of sustainable natural resource management, project monitoring and evaluation, implementation of the Environmental Management Framework and carbon sequestration verification and monitoring.

Retroactive financing: The Government will make available up to US$ 50,000 out of its own resources to initiate project activities, which will be reimbursed by the Bank from the proceeds of the credit, provided (i) expenditures are eligible under the Credit Agreement and (ii) procedures for procurement and the use of consultants, and processing and clearances follow the Bank's Procurement and Consultant Guidelines. The period of retroactivity is March 1, 2005 to the date of the Credit Agreement. This will be used for (i) project's incremental operating costs and (ii) consulting services for the design of the project's monitoring and evaluation system and the development of a guidance manual on micro-catchment planning and management.

5. Lessons learned and reflected in the project design

The proposed project builds on: (a) the Bank's experience in project implementation in Albania broadly, (b) natural resource management and local development projects in Albania, and (c) World Bank experience of participatory watershed management projects and decentralization processes in other countries. Watershed projects have proved very successful in combining restoration of land productivity with demonstrable benefits to communities. Lessons from the recently completed Albania Forestry Project highlight the need to (i) clarify land and resource rights, (ii) build the capacity of FPUAs, (iii) make special provision to ensure the participation of women, (iv) identify the most appropriate social unit for natural resources management planning, (v) include the potentially disenfranchised, (vi) apply transparent criteria for selection of participating communes, (vii) confirm appropriate levels of support for planning for financial sustainability, (viii) include all relevant stakeholders, including the Ministry of Local

Government. These issues have all been addressed in the project design and Project Implementation Manual. Broader reviews of Bank natural resource projects emphasize the need to link rights with responsibilities. The 2002 CAS highlights that community-based approaches have been an effective development tool in Albania. Recently, portfolio reviews have emphasized the need, as Albania strengthens public sector management and moves towards greater integration with the EU, for projects to be integrated with Government institutions and budget planning processes if programs are to be sustainable. GEF portfolio reviews have noted that projects which are relatively simple in design, with clear institutional responsibilities, have greater government ownership and implementation performance.

6. Alternatives considered and reasons for rejection

Direct tree planting and erosion control by forestry service. An alternative to community-based planning and management, is for the DGFP and district forestry services to directly control the planning of forest rehabilitation and direct all tree planting and erosion control measures. However, very few stakeholders in GoA or Albanian civil society are in favor of this approach, owing to the successful demonstration of community-based action during the AFP and associated measures to reform DGFP and decentralization in Albania.

Strengthening of protected areas management. A component to develop and implement management plans for Albania's protected areas was considered during project design. Protected areas in Albania have suffered a high degree of degradation in the past, and given rural poverty levels and dependence on natural resources, it is not clear that protected area management would be effective or have local support. Protection of upland ecosystems is more likely to be achieved over the coming years through community-based natural resource management projects such as the design proposed for this operation, where biodiversity conservation is integrated into land use management in the production landscape. The project, by focusing on vegetation recovery and erosion control in upland areas, will also help restore natural ecosystems in lower watersheds.

C. IMPLEMENTATION

1. Partnership arrangements

The project would be cofinanced by the ***Swedish International Development Cooperation Agency (Sida).*** Sida has approved cofinancing up to SEK10 million per annum for 4 years, which would be used to support activities in line with Sida's recently approved country strategy (September 9th , 2004), including policy development, poverty reduction, and capacity building. The project will build on Sida's support, in partnership with SNV, to strengthen the regional federations of FPUAs in Dibra, Korce and Kukes regions, as well as Sida's ongoing partnership with SNV to support the capacity of existing commune-level forest user associations as a bridging measure following closure of the AFP in June 2004 and through effectiveness of the NRDP.

The Netherlands Development Organization (SNV) will implement a key sub-component of the project (component A.3.1), focusing on: (i) organization and strengthening the capacity of FPUAs and communes, (ii) building the capacity of regional federation of associations, and strengthening collaborative mechanisms between regional and national organizations, (iii)

strengthening land tenure security in communes and developing the capacity of federations to build on this experience. This partnership arrangement will continue the valuable collaboration initiated during implementation of the communal forestry component of the AFP, with emphasis on disseminating best practice and building the capacity of resource users associations.

The project will also be implemented in close collaboration with parallel initiatives being implemented or envisaged by IFAD, the Italian Development Corporation, and the World Food Program, as described below:

International Fund for Agricultural Development (IFAD). The IFAD-supported Mountain Areas Finance Fund (MAFF) provides credit to existing and new small enterprises in 18 regions, with a current portfolio structure of 25% in agro-industry, 45% in livestock, and 30% in trade and services. MAFF has seen considerable growth in its lending activities to family enterprises in north and eastern Albania. IFAD is considering providing a further loan of over US$ 2.0 million from 2006. The IFAD-supported Mountainous and Highland Areas Development Programme (MADA) provides (i) funding in 16 regions for infrastructure projects (irrigation and roads), private sector development (seeking to add value to farm products), and community management of infrastructure and natural resources (through which MADA has previous experience of working closely with the AFP), and (ii) lobbying for mountain areas at regional and national levels through a Mountain Areas Forum. Total annual MADA funding is US$ 3.5 million per annum, and it will continue until December 2006. IFAD is likely to provide US$ 20 million of further funding to continue activities over 2006 – 2011. The NRDP's regional watershed support teams will assist in building collaboration between communities and MADA / MAF offices during micro-catchment planning.

Italian Government. The Italian Development Cooperation is considering implementing a project that will support protected areas management (indicative cost approximately EU 1 million), with focus on pilot sites at Velipoja and Shelegur-Germenji. The NRDP will explore opportunities for collaboration in supporting sustainable resource management with communities living adjacent to project protected areas.

United Nations Development Program (UNDP). UNDP is preparing a new initiative to developing sustainable land management capacity in Albania, to be financed in the context of a Medium Sized Grant by the Global Environment Facility (GEF). The project would strengthen the enabling environment and development of the capacities for sustainable land management in rural areas of Albania. The project would apply the integrated approach to capacity building with particular focus on planning, institutional and financial mechanisms. The project would specifically target three districts representing typical agro-ecological zones of Albania.

Linkages with other World Bank projects. The NRDP will be implemented in close coordination with other World Bank Projects, particularly the Water Resources Management Project which will finance small-scale irrigation priority investments identified as part of the micro-catchment planning process. The irrigation specialist of the NRDP's regional watershed support teams will identify opportunities for the NRDP to benefit from additional investments under the WRMP. More broadly, the NRDP will facilitate access for communities to additional financing from other World Bank supported projects in Albania, through informing communities

during micro-catchment planning about existing opportunities and how to access them. These include the Albania Savings and Credit Union (ASCU) (supported by the World Bank Microcredit Project), the Community Works Project, and the competitive grants scheme as well as the market development initiatives of the Agricultural Services Project. In addition, the project will complement Albania's continuing participation in the international World Bank initiative 'Forest Law, Enforcement and Governance' (FLEG), concerning governance to combat illegal logging.

The Project Implementation Manual describes the ways in which practical linkages could be established with these projects..

2. Institutional and implementation arrangements.

The project will be implemented over a period of 5 years. The Ministry of Agriculture and Food (MAF) will have overall responsibility for the project, and the lead agency with responsibility to deliver project implementation will be the General Directorate for Forests and Pastures (DGFP) and its regional and district directorates. Inter-ministerial coordination and oversight will be provided through a Project Implementation Oversight Committee (PIOC). A Project Technical Committee (PTC) will provide technical oversight and guidance and ensure coordination within the MAF. A Project Management Team (PMT) consisting of staff assigned from within the DGFP, assisted by six contracted specialist staff, will manage the project at the national level. The PMT will report to the General Director of DGFP. At the regional level, one senior staff member at each of the 12 District Forestry Services (DFS) will be assigned as Regional Manager (RM) with responsibility for project management at the regional/district level. In the five regions where component B will be implemented (Dibra, Elbasan, Korce, Kukes, Lezha), the RMs will be supported by a contracted Regional Coordinator (RC) and, together, they will establish and participate in Regional Watershed Support Teams (RWSTs), comprised of assigned staff from the DFS and the Regional Agricultural Directorates. At the level of communes, commune heads, assisted by FPUAs, will oversee implementation, for components A and B.

The significant strengths that provide a basis of reliance on the project financial management system include: (i) the experience of MAF through a number of project implementation units and its finance staff of implementing Bank-financed projects and satisfying Bank financial management requirements; and (ii) the unqualified audit reports and positive management letters issued by project auditors.

3. Monitoring and evaluation of outcomes/results

Overall project monitoring and evaluation will be the responsibility of the PMT, supported by a monitoring and evaluation specialist, a data entry specialist, and the regional managers and coordinators. Monitoring and evaluation will include routine monitoring and evaluation, combined with baseline, midterm and final impact assessments. Monitoring and evaluation will assess performance against project objectives and indicators at the central, regional and commune levels. A baseline survey against which the performance targets can be measured will be carried out, information on indicators will be regularly recorded in a database, and at mid-term and at the end of the project, an impact assessment measuring the social, environmental and

economic benefits of the project components will be conducted. The PMT will prepare quarterly reports covering progress in physical implementation, use of funds, and project impact. Quarterly reports will be consolidated into semi-annual progress reports, and be submitted to the Bank. The latter will also include implementation and work plans for the six months following the reporting period.

4. Sustainability and replicability

The project builds on successful features of forest and pasture management initiated under the AFP, which supported the transfer of usufruct rights to communes and assisted local communities to manage natural resources. In many cases, families are already deriving benefits from the use of forest and pastures that had been seriously degraded lands prior to AFP supported investments. Erosion is being brought under control and, significantly, there is evidence that the shift to improved land use practice brought about by the AFP is likely to be sustainable. Government is committed to scaling up coverage of communal forest and pasture management throughout the country while also broadening the scope of community management to include all natural resources at the level of micro-catchments. The adoption and mainstreaming of community-based natural resource management in the context of the Government's broader program of decentralization, will further support sustainability. There is also growing recognition in the country of the link between improved management of upper watersheds and reduced flooding and damage to infrastructure in lower watersheds.

Replicability is a fundamental feature of the project design, as the same approach to community based planning, management and institution building can be replicated throughout upland areas of the country. The project would *pilot and support replicable initiatives* in: (i) design and application of *sound planning instruments* for sustainable land management; (ii) implementation of technically sound and environmentally *sustainable operational practices* on both communal and state lands to ensure effective and efficient response to erosion; (iii) preservation and restoration of the natural ecosystems stability, critical functions, and services through the *integrated and cross-sectoral approaches* to land management; (iv) *inter-agency and inter-stakeholder cooperation* for sustainable land management and erosion control; and (v) *strengthening involvement of non-governmental stakeholders* and increasing public and communal participation in sustainable land management. Replication would occur through a set of regulatory and procedural guidelines and operational plans to be developed and adopted under the project, which can then be used by the Government and other financiers to scale up the project (the AFP has been very successful in bringing in other donors which replicated the project approach).

5. Critical risks and possible controversial aspects

Risks	Risk Mitigation Measures	Risk Rating
Downstream impacts of illegal logging: In some micro-catchments upstream degradation of forest resources due to illegal logging may be taking place on state lands that are not assigned to commune management. This may lead to downstream impacts in the micro-catchment beyond the ability of the communities to mitigate.	The project will build the capacity for sustainable management of forest resources of state lands in project micro-catchments. It will also support implementation of action plans to address illegal logging, and improve the effectiveness of government forest management functions.	S
Interagency collaboration at the regional and district level: Agencies may have difficulty in maintaining cooperation and collaboration necessary to deliver services according to the MC plan and develop trust with local communities.	All concerned agencies will be involved in the MC planning and budgeting processes, and roles and responsibilities will be clearly defined in the plans and Project Implementation Manual.	M
Delays in transfer of land tenure: Current lack of documentation of tenure rights and lack of clarity of the legal framework could slow progress in securing land tenure. This may limit options for in-use, rental or other agreements that would advance the projects' aims and sustainability.	The project will support documentation of tenure rights, as well as the ongoing legal developments regarding land administration and tenure.	M

6. Loan/credit conditions and covenants

Conditions of Negotiations:

- Provision of a draft Project Implementation Manual satisfactory to the Bank and MAF.
- Nomination of key project management team staff within MAF (i.e., the project coordinator, 12 regional project managers, a monitoring and evaluation specialist, and a data entry specialist); and provision of a schedule for procurement and hire of contracted project management team staff (i.e., a project manager, financial specialist, procurement specialist, two technical specialists, five regional coordinators, and office administrator/translator).

Effectiveness condition: the GEF Grant and the IDA Credit Agreements will include a standard cross-effectiveness condition.

Financial covenants:

- The PMT shall maintain a financial management system acceptable to the Bank;
- The project financial statements and Special Account shall be audited by independent auditors acceptable to the Bank and on terms of reference acceptable to the Bank;
- The audits shall be conducted in accordance with International Standards on Auditing (ISA) as issued by the IFAC and on terms of reference acceptable to the Bank;
- The annual audited statements and audit report shall be provided to the Bank within six months of the end of each fiscal year and at the closing of the project.

Other covenants:

- The PIOC, the PTC, the PMT and the RWSTs shall be operational and adequately staffed, and maintained, under terms of reference acceptable to the Bank.
- Prepare and submit to the Bank an annual review of the DGFP budget;
- Prepare and submit a report of the results of the monitoring and evaluation activities at mid-term;
- Take all measures necessary to ensure that the Project is implemented in full compliance with the provisions of the Environmental Management Framework and the Project Implementation Manual in a timely manner.

D. APPRAISAL SUMMARY

1. Economic analysis and financial analysis

Economic analysis (see Annex 9)

The economic benefits associated with the improvement of natural resource management within the 218 communes (including the 30 communes where MC plans will be implemented) fall into two main categories: (i) benefits in the upper watersheds from reduced soil erosion, reversal of degradation of pasture land and increased productivity from sustainable forest, pasture and agricultural land management; and (ii) benefits in the lower watersheds from reduced flooding and sedimentation of water courses and thus less damage to infrastructure and agricultural crops. The overall ERR for the project, including both upstream and downstream benefits is robust at 21.2%.

Quantitative Benefits
Components A1 and A2 will result in economic benefits generated from increased production of fodder, NTFPs (e.g. medicinal plants and herbs) and in the longer term the harvesting of thinnings predominantly to meet rural fuelwood demand. These direct benefits will result from the implementation of communal forest and pasture management plans covering an average 2000ha of forest and pasture land per commune, with direct interventions on 120ha. Benefits attributable to the project are based on only one third of the area generating direct benefits. This is a minimum area as benefits from the implementation of the management plan will extend over the whole plan area. In addition, Component A1 includes the carbon sequestration activities, that will generate an income from the sale of Kyoto Protocol compliant carbon credits (US$ 14/ha) for 12 years, while also generating increased production of fodder, fuelwood and timber. The ERR of Component A1 is 21.25% and Component A2 is 20%, including the potential downstream benefits outlined below.

Rehabilitation of the forest and pasture communal lands, in components A1, A2 and B1 will result in positive downstream benefits through the stabilization of upland areas, reducing the amount of damage to lowland infrastructure and agricultural areas. The Government of Albania currently spends US$ 6-7 million per year on repairing flood damaged agricultural land, rural housing and infrastructure. The project activities will result in a reduction in the annual damage costs by an estimated 25-30%. The project is likely to have a greater impact than this as the total

amount of flood damage will be reduced and not just the parts that the Government manages to repair. As this is a key variable, sensitivity analysis has been undertaken below.

The project is also providing guidance and investments to address the problems associated with forest and landscape fires which currently cause an estimated US$ 4.5 million damage annually (FAO, 2002). With a conservative reduction of just 5% in the incidence and severity of forest fires as result of project interventions, the ERR is 33%.

Component B (implementation of holistic micro-catchment plans), will result in significant economic benefits for 30 communes through the direct timber, fuelwood, NTFP benefits, and increased yields from agricultural production. This will result in increased income-generation from the sale of agricultural and forest products, increased production of subsistence products and improved food security. Component B also generates indirect downstream benefits of reduced damage costs (30%). The ERR for Component B is 45.8%, based on a cautious estimate of a 5% increases in agricultural yield from the third year of the project onwards, on an average of 0.75 ha of agricultural land per household across all households in the commune (MADA/FAO).

Qualitative Benefits

The project will have significant qualitative benefits: biodiversity protection and enhancement, regeneration and recovery of natural vegetation, stabilization of land resulting in less soil erosion and sedimentation of water courses, a reduced risk of landslides, forest rehabilitation, and improved quality of agricultural soil. The project will also increase the standing capital value of the forest over time which will become increasingly significant if the transfer of land ownership becomes feasible in the longer term. Component A3 strengthens the governance for forest and pasture management and includes capacity and institutional building of the Forest and Pasture User Associations, DGFP, and DFS. Sub-component of A3.3 will help implement prioritize actions of the National Strategy for the Development of Forests and Pastures, and will include development and local implementation of parts of an action plans to address illegal logging and to enhance forest fire management. This will result in more efficient and sustainable resource management by Government at all levels.

Sensitivity Analysis

Sensitivity analysis was applied to the key variables affecting the rate of return: the number of hectares of forest and pasture land rehabilitated in each commune and the percentage reduction in annual costs repairing downstream flooding. If downstream benefits are just 12-15% and the area of rehabilitated land is reduced to only120ha, the overall project ERR is still 14%, with a low but positive NPV. However if downstream flood damage costs are reduced by approximately 50% and 1000ha of communal forest and pasture land is rehabilitated (50% of land), the project ERR rises to 31.6%, with an NPV of US$ 26.6 million.

Fiscal Impact

The Ministry of Agriculture has confirmed that the necessary Government counterpart contribution is consistent with the available fiscal envelope. Counterpart funding commitments have been made to cover a total of US$ 2.2 million (11%) of project costs, plus the VAT on

project purchases and that the necessary provisions have been made in the budget. This amounts to US$ 440,000 per year (excluding the VAT contribution) which represents around 4% of the current annual budgetary allocation (US$ 11 million) to the sector in 2005.

Post project ongoing incremental operating costs are marginal, since communities will be responsible for maintenance of natural resource assets and the efficiency gains associated with investments in sustainable resource management by Government will not require additional funding.

Reduced erosion will lead to reduced expenditure on flood damage costs currently estimated at US$ 6-7 million per year, leading to fiscal savings. Increased incomes from improved natural resource assets will reduce the need for social benefit payments and should eventually lead to increased tax revenues. Divestiture of responsibility for much of the forest management to local communities will reduce costs for government, while the institutional reforms supported by the project should improve the cost-effectiveness of remaining state forest management functions.

2. Technical

Technical interventions will build on good practices that have already been developed in Albania and tested through research and previous interventions, in particular the AFP (for interventions in forest and pastures). The project will also support new approaches in forest management. The project will pilot test forest thinning and coppicing regimes, as this need arises for forests rehabilitated under the AFP that are becoming mature. The project will also explore the 'farmer forest management' system where no pre-commercial thinning or coppice system is applied but a continuous management and harvest system provides farmers on an annual basis with the products they need. Interventions in agricultural lands included in the piloting of micro-catchment management have been tested through the World Bank Agricultural Service Project and the Water Resources Management Project, and the IFAD-supported Mountainous and Highland Areas Development Programme (MADA) and Mountain Areas Finance Fund (MAFF). Combined with participatory management with strong local ownership, and an integrated approach to watershed rehabilitation, these investments should be technically robust. The Project Implementation Manual will include a detailed description of technical interventions, and will be adapted regularly to take account of lessons learnt during implementation.

3. Fiduciary

The PMT, including a full-time procurement officer and a full-time financial officer recruited on a competitive basis, will oversee fiduciary management. The PMT will be responsible for overall management of the project at the national level, including the preparation and timely implementation of work plans, procurement, financial management, reporting, and monitoring and evaluation.

Procurement

Procurement management will follow the model that was successfully established under the AFP, involving a combination of central and local procurement, and the contracting of local

community associations to implement locally-based works and provision of goods. The PMT will oversee and support project implementation in the 12 regions, and will be responsible for oversight and approval of contracts to be signed by the communes with FPUAs for implementing forest and pasture management plans and micro-catchments management plans.

Financial management

The financial management arrangements of the project are acceptable to the Bank.

As of the date of this report, the borrower is in compliance with its audit covenants of existing Bank-financed projects with MAF. Previous and current project financial statements and auditing arrangements are satisfactory and it has been agreed that these will, by and large, be replicated for the Project. The annual audited project financial statements will be provided to the Bank within six months of the end of each fiscal year and also at the closing of the project.

The latest Country Financial Accountability Assessment (CFAA) confirms that improvement is required in the management of public expenditures, including cash management in Treasury and better internal control throughout the public sector. Internal audit is currently being developed to improve the government's internal control environment. The supreme audit institution also needs strengthening. The PMT has developed policies and procedures that operate in addition to those of the current public expenditure management framework to minimize project financial management risks based on the experiences with the previous Albania Forestry Project.

The banking sector in Albania is relatively weak and the Bank of Albania does not provide normal commercial banking services. However, the PMT will open the Special Accounts in a commercial Bank acceptable to the Bank.

4. Social

Project design was informed by a social analysis, undertaken through mission field visits, review of existing studies, stakeholder workshops (AFP evaluation and NDRP preparation), consultations with environment NGOs and a full Social Assessment (SA). The SA was carried out in six communes and 17 villages in December and January 2005 (See annex 18 for detailed methodology). Key findings and recommendations of the social analysis are summarized below and in greater detail in Annex 18.

Expected positive social impacts. Overall the project will empower residents, village leaders and communes to take concerted action on priority community-based initiatives for the use of natural resources; and demonstrate the income-generating potential of sustainable land, forestry, and agricultural practices. Specific benefits and positive impacts include: (i) reduced dependency on the forests and pasturelands; (ii) increased agricultural productivity leading to increased food security and reduced poverty; and (iii) increased participation and empowerment of women and vulnerable and marginalized groups- due to a greater sensitivity to the participation constraints of these social groups- (as compared to the AFP).

***Social Challenges addressed by project design*.** Social risks and potential negative impacts could include: (i) elite capture by formal or informal power-holders in commune and/or FPUAs resulting in differential access to benefits and limited skills and knowledge transfer; (ii) increased poverty arising from possible access restrictions to livelihoods (e.g. controlling of grazing etc); (iii) increased pressure on state land and forests or corridor areas between villages where usufruct rights are unclear; and (iv) risks of conflict between social groups/clans around the proposed management plans. The proposed project will prevent these risks and/or mitigate them through various entry-points and activities, as summarized below and further detailed in Annex 18:

- The project establishes **transparent criteria and inclusive arrangements** for the land use planning process in villages and up to commune level and for sustainable resource use (see Annex 4, description of Component B and recommendations of Annex 18). This will facilitate the participation of traditionally marginalized groups (landless, women, youth).
- **The strategy of communication** includes systematic information dissemination at all stages of natural resource management plans.
- **As part of institutional development, both top-down and bottom-up mechanisms of governance and accountability will be built** in project implementation arrangements. FPUAs will be strengthened and their internal governance will be improved, creating incentives for heads of FPUA to be more responsive to the concerns of their members and local government authorities. Elected mayors will have incentives to account for their actions in the area of natural resources and proposed project interventions will be required to be discussed in extensive public hearings at village and commune levels.
- **Task management will be gradually devolved to the communities**. Capacity building will include agricultural extension activities, management and leadership training, and gender sensitivity training. Incentives for community participation include a competitive grants program at the village level.
- **Monitoring will be participatory**, building capacity of users of natural resources to keep in check private contractors and other intermediaries. Appropriate feedback mechanisms will ensure that any necessary adjustments are incorporated in the management plans.
- Social impacts will be monitored at regular intervals through independent assessments. An impact analysis will be conducted during project implementation.
- While the participatory process will help identify and prevent sources of conflict, specific formal and informal grievance procedures (relying on the arbitration of respected village members) will be included in the implementation cycle of natural resource management plans.

Social safeguards & Risk mitigation. Possible restriction of access to resources that could result in economic displacement is the most important potential social issue facing the project. Issues of dependency on forests and rangelands, and arrangements for securing more equitable access to planning and to project benefits are addressed in the planning process and in the Project Implementation Manual. O.P. 4.12 on involuntary resettlement is triggered when restrictions are imposed by authorities and communities have little or no discretionary power to make land use decisions. However, the social assessment confirmed that while, according to Albanian law, land owners and users can not make land use changes without governmental permission, in practice villages exercise full autonomy in land use decisions on communal areas. More

importantly, in the case of this proposed project, both project design and implementation arrangements as specified in the Project Implementation Manual ensure that decisions about rights of access to land and livelihood affected by the project will be made at the level of the community in villages and up to commune levels, rather than by governmental officials. As stated above, transparent and effective mechanisms to ensure broad consultation and participation into the decision-making process are built into the project's management plans for both components A and B. - See also section 6 below-

Stakeholder Involvement. The project itself is stakeholder driven in its technical and institutional design. Project activities are being developed through a highly participatory process. Project preparation was initiated with a workshop that included the participation of government and NGO stakeholders at a national level. Another similar workshop was then held to review project objectives and activities. Detailed discussions were undertaken with key staff at national level as well as regional consultations involving government and NGO stakeholders in four regions. Arrangements to ensure adequate stakeholder participation in the implementation are also being established. The project would build strategic partnerships with key stakeholders, particularly with the local authorities and the state and communal forest/pasture users to insure the sustainability and maximize benefits in the long-term. At implementation, the Project Implementation Oversight Committee would take the lead in policy coordination and involve non-governmental stakeholders in project decisions inviting their inputs on a regular basis.

5. Environment

The project would have a significant positive impact on the environment and natural resources in upland areas of Albania, as well as downstream resources in the watersheds where the project will operate. It would support rehabilitation of natural resources, thereby helping to reverse land degradation in upland areas; reducing risks to downstream lands and infrastructure; controlling floods and landslides; improving sustainability of dams, reservoirs and production of hydroelectricity; increasing agricultural productivity in low-lying areas; improving water quality; and protecting wetland and coastal resources. Additionally, the project will have positive climate change benefits through carbon sequestration. Key constraints to establishing more appropriate institutional and land tenure arrangements to promote environmental sustainability will be overcome, and a broader range of livelihood options for the rural poor will be promoted, thereby reducing pressure to over-exploit natural resources and providing stronger incentives for communities to manage their forest, pastoral and agricultural resources in a sustainable manner.

Notwithstanding the overall environmental benefits of the NRDP, there remains the potential for possible localized and/or cumulative negative environmental impacts from community-level interventions. Project preparation assessed these potential environmental impacts and in response developed a draft Environmental Assessment (EA), including a Environmental Management Framework (EMF), in accordance with World Bank guidelines and toolkits for projects with multiple small-scale projects, and also with relevant Albanian and European Union legislation on natural resources protection. Since the precise details of the small-scale investments – in terms of exact location, materials used, etc. – will not be known at the outset of the project, the EMF seeks to mainstream environmental considerations within the participatory process for identifying, planning, implementing and monitoring activities or small-scale

investments. Forms, checklists and guidelines are included in the Project Implementation Manual, and the overall system of project management.

Scoping of the environmental impacts of the proposed project took place in November 2004, and included consultations in individual key information meetings, and focus group discussions with a sample of key informants and government and civil society stakeholders nationally, regionally and in three districts of upland Albania (Tropoje, Hasi and Kukes districts in north-east Albania). Further detailed research and in-depth consultation with communities, civil society stakeholders, and government at district and national levels (including the Ministry of Environment) continued throughout the preparation of the EA and EMF. The final EA/EMF was disclosed in Albania and in Infoshop prior to appraisal.

In terms of EMF monitoring and evaluation, the project envisages an annual environmental performance audit, to be carried out by an independent organization or consultant in collaboration with regional environment and natural resources protection agencies. Results from the audit will be fed back to the project and to the local authorities via an audit report, in order that the identified recommendations and environmental mitigation and/or enhancement measures can be considered and adopted by the project moving forwards. Moreover, the audit process will also include parallel (mainly on-the-job) training, awareness and capacity-building in sustainable natural resource management for both project beneficiaries and regulatory authorities, such that in time the awareness and capacity to identify and address environmental issues is mainstreamed within both the project communities and regional natural resources protection agencies alike.

6. Safeguard policies

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment (OP/BP/GP 4.01)	[X]	[ ]
Natural Habitats (OP/BP 4.04)	[ ]	[X]
Pest Management (OP 4.09)	[ ]	[X]
Cultural Property (OPN 11.03, being revised as OP 4.11)	[ ]	[X]
Involuntary Resettlement (OP/BP 4.12)	[ ]	[X]
Indigenous Peoples (OD 4.20, being revised as OP 4.10)	[ ]	[X]
Forests (OP/BP 4.36)	[X]	[ ]
Safety of Dams (OP/BP 4.37)	[ ]	[X]
Projects in Disputed Areas (OP/BP/GP 7.60)*	[ ]	[X]
Projects on International Waterways (OP/BP/GP 7.50)	[ ]	[X]

OP 4.01 is triggered and the project has been rated Category B, requiring a partial EA. The potential impacts arising from the project will be addressed through implementation of the Environmental Management Framework (EMF) described above. OP 4.04 is not triggered since the project is aimed at reversing land degradation in upland areas and is focused largely on the regeneration and sustainable management of natural and semi-natural habitats. Overall, it is likely to have a significantly positive impact on natural habitats, through the participatory natural resources management that is the central theme of the project. The project complies with OP

* *By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas*

4.36. Specifically, it assists Albania to harness the potential of forests to reduce poverty in a sustainable manner, integrate forests effectively into sustainable economic development, and protect the vital local and global environmental services and values of forests, by supporting community based approaches to forest, pasture and watershed management. OP 4.12 is not triggered since the proposed project adopts a community-driven approach, whereby (i) decisions that may affect access to livelihoods are made at community level; through transparent and participatory management plans (for both components A and B); and (ii) the decision-making process, as stipulated in the Project Implementation Manual, provides for identification of appropriate measures to mitigate adverse impacts, if any, on the affected and/or vulnerable members of the community (See Section 4 above and annex 18). OP 7.50 is not triggered since the project will only involve small-scale rehabilitation and improvement of existing schemes which will be subject to the Bank's prior review under the Water Resources Management Project. OP 4.37 is not triggered since the project does not involve the construction or rehabilitation of any large dams (i.e. over 15 m) or high hazard dams. Works relating to small check dams in the upper watersheds will be supervised where appropriate by qualified engineers. OP 4.09 is not triggered because the project will not finance the purchase of pesticides, and will not lead to substantially increased pesticide use and subsequent environmental problems. Finally, the project will not affect the vulnerability of any indigenous communities, will not be implemented in disputed areas and will not have an impact on physical cultural resources, so none of these safeguards are triggered.

7. Policy Exceptions and Readiness

The project does not require any exceptions from Bank policies. The project meets the Regional criteria for readiness for implementation.

Annex 1: Country and Sector or Program Background

ALBANIA: NATURAL RESOURCE DEVELOPMENT PROJ.

The Government's Program

Albania's per capita GDP is estimated at about US$ 1,800 (2003), one of the lowest in Europe. The preparation of Albania's Poverty Reduction Strategy Paper, known in Albania as the National Strategy on Socio-Economic Development (NSSED), is Albania's first national development strategy that explicitly addresses poverty, outlining medium-term actions to reach long-term goals. The strategy rests on two pillars: (i) governance and (ii) strong economic growth. The NSSED emphasizes development of rural areas, where four out of five poor Albanians live. Increased productivity and employment opportunities in rural areas, along with improved access to markets, are necessary for poverty reduction. Albania experienced severe environmental degradation during the transition, and the NSSED emphasizes that natural resource degradation continues to restrain rural development and maintain poverty. Government highlighted environmental-poverty linkages in the NSSED, drawing attention to the need to reverse environmental degradation and ensure the sustainable use of natural resources.

Country Assistance Strategy (CAS)

The overarching objective of the CAS (2003-2005) is to reduce poverty by supporting implementation of Albania's NSSED. The CAS supports a move from short-term crisis management to a longer-term vision of sustainable development. The Bank is continuing its strong support for developing rural areas, where poverty is highest (about one third of FY03-05 operations focus exclusively on rural areas, and nearly all other operations include important rural elements), and is building on previous successes with community-based approaches that build institutions from the bottom up. Specific CAS objectives are to support the government to: (a) improve governance and strengthen institutions, (b) promote sustainable private sector growth, and (c) foster human development.

Rural Sector Context

Albania is a small and very mountainous country with a population of about 3.1 million people and a total surface area of 28,748 km2, of which about 60% is above 600 m elevation. Albania's total land area is divided into three main ecological zones: (i) the coastal plain, (ii) the hilly transition sub-mountainous zone; and (iii) the mountainous zone. Nearly two million people (58% of the total population) live in Albania's upland region, encompassing the hilly transition sub-mountainous and mountainous zones. This region accounts for about 70% of the poor. 37% of the upland population belongs to the poorest consumption quintile and over 50% of households belong to the first two quintiles. The majority of households in this region subsist on their own production with no surplus to sell and no access to markets.

Water resources: The annual precipitation varies considerably from about 800 mm/year in the hills and the coastal plains to over 2,000 mm/year in the mountain ranges. There is a dry period in the summer in the Mediterranean part of the country, and in many areas, climatic and soil conditions are favorable for forest and pasture growth. The country is divided into seven principal river basins (watersheds), with an average annual run-off of 25.7 billion m3. There are

more than 650 small reservoirs constructed for irrigation purposes with a total storage capacity of about 560 million m3. Some 450 million m3 are diverted for irrigation purposes. There are also several large storage dams used primarily for hydro-power production with a capacity of 3.25 million m3.

Soil and agricultural resources in the upland areas: Fertile soils provide an important basis for subsistence and agricultural production in the upland regions. The 2003 Poverty Assessment found that mountain farm households occupy smaller land areas and depend on agriculture as their source of income more so than households in other regions on. More than 60% of Albania's rural households own less than 0.8 ha of land. Of this number, three quarters of the households living in mountainous areas have less than 0.5 ha at hand. The land used for agriculture is often sloping, with only about 44% of the agricultural land having a slope of less than 5%.

Forest and pasture resources: Under the AFP, Albania developed a first national Forest and Pastures Inventory (ANFI). Based on the results of the satellite interpretation, the total forest and pasture areas were determined. The inventory has shown that the total "forest" area is about 1.5 million ha, of which less than 30% is high forest (449,000 ha) and about 40% is coppice forest (624,000 ha). The remainder is shrub area (430,000 ha). The pasture area was estimated by the ANFI at 480,800 ha. The total timber volume is estimated at 72 million m3 (ANFI), and more than 80% of this volume is in the high forest, and a large percentage of high forests occurs at higher elevations on steep slopes that are prone to erosion.

The importance of pasture resources: Pastureland provides fodder for the livestock holding of rural households. The agro-pastoral system provides an important social security function and saved many Albanians from starvation during the early years of transition. Albania's designated pasture-land comprises about 406,000 ha. Sixty percent of that area is classified as "winter pastures" covering lowland areas up to 1,500 m altitude; the remainder is "summer pasture" at higher attitudes (up to over 2,500 m) including alpine vegetation. The importance of the pasture resource is reflected in the fact that 60% of the Albanian population is one way or another involved in transhumant herding, mainly of sheep and goats. Livestock contributes half of the total agricultural production value.

The importance of forest resources: Forest resources are critical for meeting the daily needs of people and the economy in rural areas. Fuelwood is still the primary means of fulfilling rural family energy needs. An estimated 68% of rural household energy needs during winter and 53% during summer is from fuelwood. 1.6 million m3 of fuelwood are estimated to have been consumed by rural households during the year 2000. Limestone ovens, which were once confined to rural areas of the Kruja district but are now found throughout Kruja, operate in the informal economy and consume about 175,000 m3 of fuelwood per year. Demand for timber products is equally high. Albania has an estimated 415 wood processing factories, which processes an estimated 360,000 m3 of timber and woody material annually. Additionally, Albania is well known for the quality of non-timber forest products (NTFPs), such as herbal and medicinal plants, essential oil producing plants, tanifers etc. More than 7,400 tons of NTFPs, with an approximate value of US$ 9.9 million, were exported in 2002. Contracts with pharmaceutical industries offer potential sources of income.

Public goods and environmental services that could be provided by sustainably managed forest pastures and agricultural resources in the upland areas include: (a) watershed management, erosion control and soil conservation, (b) protection of global forest commons (including biodiversity), and (c) carbon sequestration (which – in the context of the Kyoto Protocol - could provide a new revenue stream and financial incentive to support rehabilitation and management of forest resources by local communities. If recognized and rewarded for the critical public-good environmental services and benefits they could be empowered to provide, poor rural populations could play an instrumental role in rehabilitating, managing and maintaining upland natural resources.

Institutional and Organizational Context

The Ministry of Agriculture and Food (MAF) comprises ten directorates, including the General Directorate of Forests and Pastures (DGFP). The DGFP is a semiautonomous directorate reporting directly to the Minister. At the national level, DGFP has five directorates (communal forests and pastures extension service, forest police, forests and pastures, protected areas, finance) and four administrative sections (personnel and foreign relations, services, auditing, and legal). The directorate of forests and pastures has sections responsible for forest management and forest registers, silviculture and forest resources, marketing, and pastures. The District Forest Services (DFS) report directly to the DGFP. A total of 996 staff are employed by the DFS (297 office-based, 699 field-based), i.e. over 27 staff per district.

Communal Forests and Pastures Users' Associations (FPUAs) have been recently established in 138 communes, with a formally registered mandate to manage communal forests and pastures on behalf of the communes. Oversight of FPUAs is provided by village commissions elected by all commune villagers that are users of the forest and pasture resources. Despite the success in establishing FPUAs, and their initial achievements in rehabilitating degraded forest and pasture resources, the FPUAs often lack sufficient capacity to ensure sustainability. Additionally, their current status as NGOs, limits their ability to engage in commercial activities..

Key Issues in the Rural Sector

Low-income levels in the upland region result from a variety of factors including high unemployment, low agricultural productivity, and small land holdings of rural households. In this region natural resources play an important role in meeting the daily needs of the population and sustaining the local economy. Poverty and natural resource degradation are intimately linked in upland Albania, and the potential to rehabilitate and enhance the productivity of forest, pasture and agricultural resources provides and opportunity to greatly improve social and economic as well as environmental conditions.

Unsustainable agricultural practices have contributed to serious degradation of soil resources. Soils have received little fertilizer since 1991, resulting in a fall in organic content, nitrogen, and potassium compared to 20 years ago. Wasteful cultivation practices, conversion of forest and pasture land for inappropriate agricultural use, cultivation of erosion prone lands, and poor soil conservation methods have also caused soil degradation. In addition, farmers lack access to improved technology and knowledge systems, which could reverse the current trend of degradation and enhance sustainable returns from agriculture.

Loss of productive pastures and pasture productivity: A million hectares - more than 30% of the country's total land area - are grazed (this includes lands that are designated as pasture, forest and agriculture). In recent years a significant areas of pasture lands have been converted to marginal agriculture land (pasture lands have decreased from about 700,000 ha in the 1960s to less than 500,000 ha today) resulting in reduced grazing and fodder supply. Current levels of pasture production alone are insufficient to maintain the national flock of 3 million sheep and goats and, in many areas, this has led to overgrazing and further degradation of pasture and adjacent forest resources. With improved management, the productivity of pasture resources could be maintain and increased.

Illegal logging for subsistence needs as well as large scale illegal logging for commercial purposes, has led to widespread deforestation and severe damage to the resource base and watersheds. As a result of overexploitation and illegal logging, most of Albania's forests are young. Much of the coppice forests - a major source of fuelwood - are severely degraded and in need of improved management to ensure their availability for long term sustainable use. Shrubland areas also provide some fuelwood, but on a much smaller scale. The main use of the shrub areas will be for protection against erosion, grazing and production of non-timber forest products. Adoption of appropriate management practices could allow for upgrade of forest types and significant increases in their productivity.

Trends in land use change and resources quality: Under the Albania Forestry Project, a national inventory of forests and pastures was completed in 2003. The inventory indicated that major trends in land use change between 1990-2001 included: (i) conversion of forests to herbaceous crops land (i.e., due to removal of trees) and from herbaceous crop lands to built-up areas, (ii) conversion of forests to woodlands (i.e., due to a reduction of tree cover), and (iii) conversion of woodlands and forests to grasslands (i.e., due to removal of all tree cover). In many areas, the timber and growing stock of high forest and woodlands has been reduced and there is a need to invest in upgrading the quality of these forests in order to secure and maximize both economic and ecological benefits. Additionally, the inventory has shown that the condition of most pasture areas is poor. Overgrazing by cattle, sheep and goats on the pasture and the forest areas is common in many regions. Special efforts are needed to manage pasture resources to provide livelihood for local populations and to protect and enhance pasture, forest and agricultural resources for long term sustainability.

Impacts of unsustainable resource use: The combination of unsustainable forestry, pasture management and agricultural practices has lead to severe erosion, threatening to further degrade Albania's natural resource base and impede development initiatives. Albania's seven major watersheds display the following common problems: (i) increase in frequency and magnitude of flooding, (ii) increase of sediment deposition and occurrence of saline soils in the lower reaches of the river basin, and (iii) degrading water quality. Although climate and geology have endowed Albania with a naturally high erosion potential, excessive soil erosion in the country has a socio-economic dimension. As a result, Albania over the last decade has experienced serious natural resource degradation and declining rural productivity. Albanian rivers deposit an estimated 60 million tons of sediment annually into the Adriatic Sea. 60% of agricultural land is already showing signs of degradation. The incidence and severity of flood is increasing, and rapid sedimentation of the country's 630 reservoirs and downstream irrigation canals is taking place.

The need to clarify and assign rights to forest and pasture resources: Environmental degradation and impoverishment is most profound where rights are vaguely defined and where neither the State nor local communities are in positions to uphold rights, whether based on custom or through formal legal assignment. Tenure insecurity pervades all land sectors, characterizing at least 30% of agricultural land and much of the forests and pasture land that has been assigned to users associations through communal forest pasture management initiatives. Rights, which may or may not coincide with claimed ancestral rights exercised with community sanction, are not documented adequately and contract terms are only 10 years long. Many feel vulnerable to losing these rights through reassignment. The lingering failure to resolve restitution and compensation claims by pre-Hoxha era owners has fed insecurity among current landholders and has hindered the capacity of both private and public actors to legally engage in rational planning, resource development and land transfers. Clarifying the legal rights to resource use and sale, and extending the contracted period of rights to use them, would provide for long term sustainability.

The need to build the capacity of forest institutions: Despite efforts in recent years, forest governance is still weak and emerging institutional, legal and policy reforms still need to be fully implemented on the ground. A new Forest and Pasture Strategy (FPDS) was approved on April 30, 2004. It owes its origin to the Ministerial Declaration on the Future of Albania's Forest and Pasture Sector. It is based on five strategic goals: (i) security of territorial, of ecological integrity and of forests and pasture biodiversity; (ii) encouragement and maintenance of the sustainable management of forest and pasture resources; (iii) perfecting and strengthening linkages with the market economy; (iv) involvement of local actors and users in maintenance and development of forestry; and (v) institutional and legal reform in forestry service at national and local level. A series of structural changes are set out in the Strategy for the Development of Forests and Pastures, through year 2012. A key objective of the strategy is to devolve responsibility for forest and pasture management to communes; With support from the AFP, initial concrete steps have been taken to support decentralization of the forest and pasture administration. There is a need and opportunity to continue to develop the capacity of local government institutions to implement the national strategy by addressing their new role of facilitating and supporting improved governance of natural resources by local government and community based institutions.

Establishing greater inter-sectoral management of resources: The MAF is rapidly developing its capacity to manage Albania's rural sector, and the transparency of budgeting has improved considerably recently. Despite MAF's recent decentralization to regional and agricultural directorates, it remains dominated by the centre: directorates within the ministry are linked to a similar set of units within each regional and district directorate; and regional and district directorates are poorly staffed and equipped. DGFP and the Irrigation Directorate are semiautonomous directorates within MAF. This arrangement constrains inter-sectoral cooperation between MAF and DGFP, though there is growing enthusiasm for greater cooperation at regional and district levels.

Ownership of forest and pasture resources: With the exception of a small percentage of forests and pastures restituted to ex-owners, most forest is State owned. Although less than 10% of forest lands may have been privately owned prior to 1945, undocumented customary rights are strong and have been reasserted extensively, particularly in the north of Albania. Since 1995, in line with the nation's move toward more decentralized government, and with the support of the

Albania Forestry Project, the transfer of responsibility for management of communal forests and pastures to the communes was initiated. In the first instance, this has entailed assignment of rights to use resources to community based forest and pasture users associations, in the context of a contract with the local commune. Contracts are for a period of ten years and include management plans identifying the limits to use. Contracts do not permit the sale of forest products. User rights for about 30% of the states forest and pasture land have already been transferred to local communes for self management. Even with this limited assignment of user rights, in lands where rights to resource management has already been transferred to communes, the regeneration of forests and pastures, control of erosion, and increase in value of the resource base, has been spectacular.

The need to review and improve the legal framework for land registration, ownership and management: The existing legal framework relating to the transfer of rights to State forest and pasture land to the communes presents a number of challenges. The need to reinforce tenure security and the desire for formalizing and documenting usufruct and ownership rights is a concern in Albania. However, if pursued without sufficient regard for the interests of all local stakeholders, there is a risk that full-scale land registration and transfer lead to enclosure or denial of access rights to substantial segments of rural populations, and could lead to issues of inter-village disputes over boundaries – and a reversion to unsustainable use of resources.

There are a number of specific legal obstacles to going forward with comprehensive and formal land registration and transfer of ownership of forest and pasture land. Forests are regulated by Law 7623 (1992) "On Forestry and Forest Police Service." This Law does not include provisions on the issue of rights pertaining to State forest and pasture land. The issues of transfer of usufruct rights and ownership rights to land amongst public bodies was addressed in Law No. 8318 "On the Renting of State Owned Agricultural, Forest and Pasture Lands", Law No. 8743 (2001) "On the Real Estate of Government" and Law No. 8744 (2001) "For the Transfer of Real Estate of Government to the Local Governments".

However, these laws include numerous obstacles to such transfer, including the requirement that registration is a condition to any form of transfer of rights, and the absence of any ownership conflict or claim by a third party before transfer of ownership. In practice, transfers have therefore been impossible to accomplish. Currently, a draft "Law on Forests and the Albanian Forest Service" (the "Draft Forest Law") was passed by the Council of Ministers in September of 2004 and is awaiting approval by the Parliament. The current Draft Forest Law does not adequately address yet issues relating to the transfer of usufruct right and ownership of state forests.

Annex 2: Major Related Projects Financed by the Bank and/or other Agencies

ALBANIA: NATURAL RESOURCE DEVELOPMENT PROJECT.

Sector issue / objectives	Project	OED and Latest supervision ratings (Bank financed projects only)	
		Implementation Progress (IP)	Development Objective (DO)
IDA-FINANCED			
A. Completed Projects			
Rehabilitating deteriorated irrigation and drainage facilities	Irrigation Rehabilitation Project	HS	S
Providing rural entrepreneurs with medium-size credit	Agro Processing Project	S	U
Providing rural infrastructure	Community Works Project	HS	S
B. Ongoing Projects			
Rehabilitating deteriorated irrigation and drainage facilities and improving management institutions	Water Resource Management Project	S	S
Rehabilitating deteriorated irrigation and drainage facilities and implementing the institutional reform	Second Irrigation Rehabilitation Project	S	S
Providing technical and marketing support for private farmers	Agriculture Services Project	S	S
Providing rural credit	Microcredit Project	HS	S
Providing rural infrastructure	Community Works Project II	S	S
OTHER DEVELOPMENT AGENCIES			
A. Ongoing Projects			
Rehabilitating deteriorated irrigation and drainage facilities in Korce Region	Islamic Development Bank		
Providing rural entrepreneurs with agro-processing machinery	Government of Japan		
GEF Small Grants Program supporting community-based organizations and NGOs in the GEF Focal Areas of biodiversity conservation, climate change mitigation, protection of international waters, prevention of land degradation (primarily desertification and deforestation), and elimination of persistent organic pollutants	United Nations Development Program		

Supporting natural resources management through improvement of local governance and increased community participation	Netherlands Development Organization		
Providing monthly rations in exchange of natural resource management works	World Food Program		
Supporting local development agencies, guarantee funds for SMEs development and promotion of the cultural and tourism development	UNOPS / PASARP (Program of Activities in support of the Albanian Regions and Prefectures)		
Supporting policy formulation, marketing information system, agricultural measures and promotion of medicinal plants	GTZ		
Providing support to the Mountainous Areas Development Agency (MADA) and Mountainous Areas Financing Fund (MAFF) to implement activities through loans to farmers; these activities include: irrigation, livestock, wine production, vineyard cultivation and communal forest management and also capacity building activities and gender mainstreaming	IFAD		
Support to the agriculture production (olive, grapes, fruit, vegetables and diary) through the establishment of market linkages, support to farmers' association and provision of equipment	FAO		
Supporting land registration, marketing of diary and meat products and promoting of private sector development	USAID		
Community empowerment grant program for civil society organizations working to empower rural poor and women in access to natural resources	International Land Coalition USAID		
Providing support to income generation activities, marketing places and micro-credit schemes in Korce regions	Sida		
B. Projects under preparation			
Supporting the Ministry of Environment and Protected Areas Management	Italian Government		
Developing capacity for sustainable land management	United Nations Development Program		

IP/DO Ratings: HS (Highly Satisfactory), S (Satisfactory), U (Unsatisfactory), HU (highly Unsatisfactory)]

Annex 3: Results Framework and Monitoring

ALBANIA: NATURAL RESOURCE DEVELOPMENT PROJ.

Results Framework

PDO / Global Environmental Development Objective	Outcome Indicators	Use of Outcome Information
To establish or maintain sustainable, community-based natural resource management in about 218 communes in upland and mountainous erosion-prone lands To reverse severe degradation of upland and mountainous erosion-prone lands, and sediment runoff to the Adriatic Sea, through rehabilitating and sustainably managing natural resources, including globally significant biodiversity	About 660,000 ha of land (most of the upland erosion-prone commune land in Albania) being managed by local communities in accordance with sustainable natural resource management plans, supporting the rehabilitation of natural resources, habitats and indigenous species At least 10% increase in economic benefits at the commune or village level derived from sustainable use of natural resources Increase in carbon sequestration by 160,000 t CO_2 in the BioCarbon Fund project sites Usufruct rights defined, agreed, documented, mapped and demarcated in 218 communes	Yr 1 – Yr 2 gauge up take and effectiveness of components Yr 3 determine if components need to be changed Yr 4/5 feed results and lessons learned into Government policy and future development opportunities
Intermediate Results One per Component	**Results Indicators for Each Component**	**Use of Results Monitoring**
Component A: Targeted communities implementing sustainable communal forest and pasture management to rehabilitate degraded land while improving livelihood opportunities	**Component A:** 80 new forest and pasture user associations (FPUA) established and operational 2000 FPUA members trained at the national, regional and local levels, either directly or through train-the-trainer program 188 communal forest and pasture management plans prepared (or revised), approved and under implementation by user associations 15 new national/regional extension service advisors trained in training of sustainable forest and pasture resource management planning and implementation 120 new district/commune level	**Component A:** Yr 3 Low uptake may indicate poor project management, low awareness and inappropriate incentives Yr 3 Low uptake may indicate that training for national/regional level members may need to be refreshed. Yr 2 Poor implementation may indicate the need for more awareness raising and training. Yr 1 Low uptake may indicate the need for improved training needs analysis and revised program. Yr 3 Low uptake may indicate that

	extension officers trained by national/regional advisors Approximately 569,000 person days of paid labor, involving about 29,000 households, in villages engaged in implementing forest and pasture management plans 20% direct participation of women in decision-making structures at village and commune level	train the trainer program needs to be reviewed and refreshed. Yr 3 Low uptake may indicate poor project management Yr 3 Low female participation may require additional efforts to target and facilitate involvement.
Component B: Communities implementing pilot sustainable integrated resource management to rehabilitate degraded land while improving livelihood opportunities	**Component B:** 30 communal forest and pasture management plans prepared (or revised), approved and under implementation by user associations 30 micro-catchment management plans prepared, approved and under implementation 60 agricultural and drainage board staff trained in supporting integrated resource management planning and implementation Approximately 206,000 person days of paid labor, involving about 10,000 households, in villages engaged in implementing micro-catchment management plans At least 20% direct participation by women in micro-catchment management planning process	**Component B:** Yr 2 Poor implementation may indicate the need for more awareness raising and training Yr 2 Low uptake may indicate poor project management, low awareness and inappropriate incentives Yr 3 Low uptake may indicate the need for improved training needs analysis and revised program Yr 3 Low uptake may indicate poor project management Yr 3 Low female participation may require additional efforts to target and facilitate involvement
Component C: Effective and efficient project co-ordination and management, facilitating the implementation and institutionalization of project functions, and raising awareness of target beneficiaries and other stakeholders of the benefits of sustainable natural resources management	**Component C:** Project funds disbursed according to plan, including timely and accurate completion of all annual operating, training and procurements plans Full transfer of relevant roles and responsibilities to project actors prior to closure Existence of a replication plan for scaling up MC planning by Government following project completion (before year 5) 50% increase in public awareness of the project activities and principles	**Component C:** Yr 1 Poor performance in fund disbursement and procurement planning may require review of procurement arrangements Yr 3 Low level of awareness/support from actors may require review of implementation arrangements Yr 4 Absence of draft plan by this time would require accelerated preparation Yr 3 Low level of awareness among target communities may require

	of sustainable natural resource management within targeted communities	revised communication/awareness strategy

Arrangements for results monitoring

Indicators	Baseline	Target Values by YR					Data Collection and Reporting		
Outcome Indicators	**Baseline**	**YR1**	**YR2**	**YR3**	**YR4**	**YR5**	**Frequency and Reports**	**Data Collection Instruments**	**Responsibility for Data Collection**
Area of land being managed by local communities in accordance with sustainable natural resource management plans, supporting rehabilitation of natural resources, habitats and indigenous species	None	100,000	230,000	400,000	530,000	660,000	Annual reports	Consolidated reports from management plans from local level	PMT
Increased carbon sequestration (t CO_2) in BioCarbon Fund project sites	None	18,000	54,000	90,000	125,000	160,000	Baseline and year three	Monitoring plan for the BioCarbon Fund project	PMT
Increase in economic benefits at the commune and village level derived from sustainable use of natural resources	0%			5%		10%	Annual reports	Forest and pasture and MC management plans	PMT
Number of communes where usufruct rights have been defined, agreed, documented, mapped and demarcated	None	40	80	120	160	218	Quarterly Progress reports	Project reports	RM
Monitoring Indicators for Each Component									
Component A:									
Number of new forest and pasture user associations (FPUA) established and	None	10	30	60	80		Quarterly Progress reports	Project reports	RM

operational									
Number of FPUA members trained at the national, regional and local levels, either directly or through train-the-trainer program	None	100	200	500	1000	2000	Quarterly Progress reports	Project reports	RM
Number of communal forest and pasture management plans prepared (or revised), approved and under implementation by user associations	None	36	65	90	130	188	Quarterly Progress reports	Project reports	RM
Number national/regional extension service advisors trained in training of sustainable forest and pasture resource management planning and implementation	None	15					Year 1 Annual Report	Project reports	RM
Number of new district/ commune level extension officers trained by national/regional advisors	None	20	45	70	95	120	Quarterly Progress reports	Project reports	RM
Person days of paid labor in villages engaged in implementing forest and pasture management plans	None	37,000 days among 1,900 h-holds	163,000 days among 8,400 h-holds	157,000 days among 8,000 h-holds	163,000 days among 8,400 h-holds	49,000 days among 2,500 h-holds	Annual reports	Consolidated reports from management plans from local level	RM/RC
Increased direct participation by women in decision-making structures at village and commune level (% participants)	0%	5%	7%	10%	15%	20%	Annual Reports	Project reports	RM
Component B:									
Number of communal forest and pasture management	None	4	15	30			Quarterly Progress reports	Project reports	RM

plans prepared (or revised), approved and under implementation by user associations									
Number of micro-catchment management plans prepared, approved and under implementation	None	4	15	30			Quarterly Reports	Project reports	RC/RWST
Number of agricultural and drainage board staff trained in supporting integrated resource management planning and implementation	None	10	30	60			Quarterly Reports	Project reports	RC/RWST
Person days of paid labor in villages engaged in implementing integrated micro-catchment management plans	None	22,000 days among 1,100 h-holds	46,000 days among 2,300 h-holds	52,000 days among 2,700 h-holds	46,000 days among 2,400 h-holds	40,000 days among 2,000 h-holds	Annual reports	Consolidated reports from management plans from local level	RM/RC
Increased direct participation by women in decision-making structures at village and commune level (% participants)	0%	5%	7%	10%	15%	20%	Annual Reports	Project reports	RC/RWST
Component C:									
Project funds disbursed according to plan, including timely and accurate completion of all annual operating, training and procurements plans (%)	0.3% (retroactive)	20%	45%	70%	90%	100%	Quarterly Reports	Project reports	PMT
Full transfer of relevant roles and responsibilities to project actors prior to closure (% rating)	None			50%		100%	Assessment rating given at mid-term and completion	Project reports	PMT

Existence of a replication plan for scaling up the project approach after the project ends	None				Draft plan		Year 4 Annual Report	Project reports	PMT
Increased public awareness of the project activities and principles of sustainable natural resource management (%)	0%			25%		50%	Public awareness surveys year 1, mid-term and completion	Project reports	PMT

Annex 4: Detailed Project Description

ALBANIA: NATURAL RESOURCE DEVELOPMENT PROJ.

The project will strengthen the community-based approach to forest and pasture management developed for 138 communes under the Albania Forestry Project (AFP), as well as scale up coverage to include about 80 additional communes. The project will thereby establish resource rehabilitation and sustainable management of forests and pastures in 218 communes i.e. most of the commune lands of upland areas of Albania that are experiencing resource degradation and erosion. This area includes approximately 485,000 ha of forest lands, and 175,000 ha of pastures in upland areas of all 12 regions in Albania, and will reach a rural population of more than one million people. The project will continue to update and prepare management plans (which were prepared for about 450,000 ha of forest and pasture under the AFP, and will be prepared for 210,000 additional ha under the NRDP), including the documentation of user rights, as a condition for the transfer of user-rights to forest and pasture resources to communes and implement a series of small-scale investments in communal forests and pastures.

Based on successful Bank experiences in other countries, the project will pilot integrated management of natural resources in three of Albania's seven watersheds, focusing on five regions located in the northern and eastern areas of the country[6]. In 30 of the 218 communes covered by the project[7], the project will therefore introduce a multi-sectoral approach to planning and management of natural resources at the level of micro-catchments (MCs)[8]. This will include the integration of forest and pasture management with crop and livestock production, as well as soil and water conservation, in a mutually reinforcing manner. The project will apply a participatory approach to assisting communities living in MCs to plan and manage their resources.

Project objectives will therefore be achieved through implementing two main components:

- **Component A: Improved Management and Governance of Forests and Pastures**, which will include (i) strengthening participatory communal forest and pasture management in 115 communes that were supported under the AFP and capturing of carbon finance through carbon sequestration in 30 communes, and (ii) introducing participatory communal forest and pasture management in 73 communes that were not supported under the AFP. This component will also implement capacity-building measures and priority actions to improve the governance of forest and pasture resources.
- **Component B: Improved Management and Governance of Watershed**, which will introduce integrated resource management in 30 micro-catchments. This component will also build the capacity of Government, Drainage Boards and commune staff, at district, regional and national levels in the context of MC management. Last, it will inform ongoing legal developments regarding land administration and tenure.

[6] The three watersheds include Drini, Mati, and Shkumbini, while the five regions include Dibra, Korce, Kukes, Lezha, Elbasan and Korce.

[7] Of these 30 communes, about 23 were already supported under the AFP.

[8] Watersheds are defined by the topographical limits of their water catchment. Micro-catchments (MCs) are smaller catchment areas within a watershed, also defined by hydrological boundaries. In the Albanian context, the average size of an MC is approximately 7,000 ha, with an average population of about 4,000. Each MC includes only one commune.

COMPONENT A: IMPROVED MANAGEMENT AND GOVERNANCE OF FORESTS AND PASTURES

A.1. Strengthening participatory forest and pasture management in communes that were supported under the AFP

A.1.1. Updating existing communal forest and pasture management plans

In about 115 communes that were supported under the AFP, working in partnership with the District Forest Service (DFS), the project will revise and update communal forest and pasture plans, including the documentation of different individual and user group rights over commune forest and pasture lands to better secure users' tenure rights. Based on experience derived from implementing the AFP, special attention will be paid to: (a) increasing participation in the planning process, (b) developing plans for resource use at the village level rather than the commune level, and (c) emphasizing the need to develop a strategy for transition from dependence on donor support toward self-sustainability of resource users associations.

Updating the plans will entail: (a) establishing village commissions, including representatives from each stakeholder group within the commune, (b) defining user groups, including resource user groups from adjacent communes as well as within communes, (c) defining historical and current modes of both shared and assigned access to all resource areas, (d) demarcating land parcel boundaries, (e) preparing and disclosing maps on which village boundaries, parcel boundaries and the names of people associated with parcels, as well as the paths traditionally used for transhumance, are recorded, (f) documenting land parcels and submitting records and maps to the commune, DFS and General Directorate for Forests and Pastures (DGFP), (g) issuing certificates of tenure by Regional Land Administration offices to village stakeholders, with copies deposited with communes and the DGFP, (h) revising communal forest and pasture management plans at a village level, (i) prioritizing interventions for implementing plans on a village level, and (j) developing resource-use contractual agreements between the communes and the Forest and Pasture User Associations (FPUAs).

A.1.2. Implementing updated communal forest and pasture management plans

In these communes, the project will support implementation of updated communal forest and pasture management plans initiated under the AFP. The project will provide support through provision of small-scale investments within a fixed budget ceiling of US$ 30,000 per commune, supported by in-kind community contributions equivalent to at least 20% of the value of the investments. Implementing the forest and pasture management plans may entail the following activities:

- Land stabilization in communal forest and pasture land. This may entail construction of check dams, gully rehabilitation, maintenance or protection of existing infrastructure such as culverts and storm drains, and planting of trees and shrubs in order to reduce flooding, landslides and sedimentation. Check dams and gully rehabilitation may be supported with resources made available under the Water Resource Management Project.

- Resource rehabilitation in communal forest and pasture land. This may entail fencing and controlling grazing, as well as natural and assisted regeneration of forests and pastures.

- Sustainable resource use in communal forest and pasture land. This may entail pilot testing of forest thinning and coppicing regimes, further development and management of pastures and improvement of infrastructure for livestock producers (water points, shelters, etc.).

The project will also explore new approaches in forest management that address the needs of farmers. Resource management plans will be updated in view of the regeneration and maturation of resources that have taken place during the initial years of sustainable management. Farmers will be advised on continuous management and harvest of forests, to provide the products they need, as an alternative to formal pre-commercial thinning or coppicing. Additionally, the project will explore opportunities for mainstreaming biodiversity conservation remedies in the planning and management of commune forests and pastures. Where protected areas occur adjacent to project supported communes, the project may support community-participation in planning and management of protected areas.

A detailed list of interventions is provided in the Project Implementation Manual.

A.1.3. Capturing carbon finance resources for carbon sequestration

The BioCarbon Fund has expressed interest in purchasing emission reductions from Albania. Subject to successful negotiation of an Emission Reductions Purchase Agreement between Albania and the BioCarbon Fund by December 2005, the BioCarbon Fund would pay an agreed amount per ton of Kyoto Protocol-compliant carbon sequestered from the atmosphere in the context of a BioCarbon Fund pilot project "Assisted Natural Regeneration of Degraded Lands". The BioCarbon Fund pays on verification that carbon has been sequestered. To make such a sale of emission reductions to the BioCarbon Fund possible, additional project resources will be allocated to about 30 of the communes that earlier received support under the AFP, and where areas of severely degraded lands still prevail. The NRDP will assist these communities to make investments needed to sequester carbon through assisted natural regeneration in about 6,000 ha. The planned activities for which financial support will be provided include (a) protection of areas for natural regeneration or re-growth by fencing, (b) supplemental planting of 250 seedlings per ha to enrich species diversity, (c) vegetative cutting to promote growth, (d) weeding and (e) silvicultural works in years 2 and 3. Activities which will be undertaken fully at the expenses of the communes include (a) cleaning in year 5 and (b) ongoing maintenance over the lifetime of the carbon project. The project will also advise communities of their obligations regarding monitoring and verification.

A.2. Introducing participatory communal forest and pasture management

A.2.1. Preparing communal forest and pasture management plans

The project will support participatory preparation of forest and pasture management plans in about 73 communes where transfer of usufruct rights has not yet taken place, selected during

project preparation. This will entail documenting usufruct rights and the development of forest and pasture management plans at the level of the village. The process will include a similar series of activities as described under A.1.1.

A.2.2. Implementing communal forest and pasture management plans

The project will support implementation of the forest and pasture management plans, through provision of small-scale investments. The investments will be within a fixed budget ceiling of US$ 40,000 per commune, supported by in-kind community contributions equivalent to at least 20% of their value. Activities will fall under the same categories as listed under A.1.2.

A.3. Strengthening governance for forest and pasture management

The project will strengthen governance for forest and pasture management through DGFP and DFS, as well as the growing network of non-governmental FPUAs. It will also implement priority actions in the National Strategy for the Development of Forests and Pasture (the Strategy).

A.3.1. Building the capacity of new and existing Forest and Pasture User Associations

This project will carry out a national capacity and training needs assessment for FPUAs, and implement a nationwide program to strengthen the governance and management competences of existing and new FPUAs. It will also strengthen regional and national networking of FPUAs and build the capacity of regional and national federations of the FPUAs.

This will entail: (a) a nationwide assessment of the capacity and training needs of FPUAs and clarification of their relation to other user associations (e.g. Water User Associations), (b) assessment of the legal basis of the FPUAs and identification of actions needed to assure the sustainable functioning of FPUAs, (c) identification of key developments required to consolidate the nationwide structure of associations (regional and national associations), (d) development of informal standards and benchmarks of operation, to be endorsed by the national associations, (e) development of guidelines and the delivery of training programs for FPUA members, (f) establishment of permanent, regular networking channels at district, region and national levels, to enable associations to learn from one another (for example, annual meetings), and (g) continuing support to the technical effectiveness, financial and social sustainability of FPUAs as required.

The training program for FPUA members is likely to address: (i) the role of FPUAs (ii) constitutional issues, (iii) membership and focus, (iv) management and financial management capacity, (v) business planning and sustainability, (vi) participatory planning and inclusiveness. A key focus of the training will be the capacity of the FPUAs to collect tariffs and manage finances in a sustainable manner. It will be delivered as a training of trainers programme on a region-by-region basis, and support ongoing members' training at the commune level. Full details are provided in the Project Implementation Manual.

A.3.2. Training of DGFP and DFS in participatory provision of extension advice

The Project will implement a national training needs assessment, and implement a nationwide training program for communal forest and pasture extension advisers. It will reach key staff of DGFP at the state level, Regional Directorates of DGFP and DFS.

This will entail (a) assessing the national and local training needs, (b) preparing a training manual, to be used as a guidebook throughout the DFS, (c) providing a training course for key national-level trainers, including key DGFP staff, (d) national-level trainers extending the training to local levels. The overall objective of the training program is to transform staff who are currently technical forest managers and regulators into competent forest and pasture extension advisers. The local-level training will begin in communes among the 138 addressed by subcomponent A.1.

The courses are likely to address: (a) social and economic aspects of forest and pasture management, (b) legal issues of forest and pasture management, (c) participatory management plan preparation, and (d) project preparation, implementation and monitoring and evaluation, (e) demand-led approaches to extension services, (f) public consultation, communication, and awareness campaigns, and (g) supporting the establishment and capacity-building of groups and associations. Terms of reference for the development and delivery of the training program is included in the Project Implementation Manual.

A.3.3.Implementing priority actions of the National Strategy for the Development of Forests and Pasture

The NRDP will support the implementation of elements of the Strategy, particularly to develop the policy enabling environment for sustainable forest and pasture management. This will entail: (a) clarifying roles and responsibilities within DGFP and DFS, (b) introducing performance related budgeting within DGFP and DFS, (c) building awareness of the forest and pastures strategy within DGFP and DFS, (d) strengthening the legal and regulatory framework for forest and pasture management, (e) developing the registers for forests and pastures, (f) developing and implementing an action plan to address illegal logging in project areas, and (g) enhancing fire management at local levels.

A.3.3.1. Supporting institutional reform and development within DGFP and DFS. This will entail: (a) undertaking institutional appraisal and needs assessment of DGFP and DFS, and participatory development of an action plan to implement the already adopted strategy for development of the forestry and pastures sector (b) clarifying roles and responsibilities within DGFP and DFS, and (c) introducing performance-related budgeting within DGFP and DFS. Clarifying roles and responsibilities will entail: (i) defining in detail the responsibilities and terms of reference for each structure, section and key positions within the organization, including the Albanian Forest Service National Council, and (ii) designing new standard operating procedures. Introducing performance-related budgeting will entail undertaking an expenditure review of the DGFP, and taking practical steps to introduce performance, output-related and participatory budgeting in the annual budgeting process of DGFP. Under this component, the project may also support implementation of recommendations of the wider ongoing Public

Expenditure Review and next steps in civil service reform to provide similar guidance for MoAF.

A.3.3.2. Building awareness of the Strategy within DGFP and DFS. This will entail: (a) preparation of short and simple guidelines on the new Strategy and DGFP and DFS's roles and structures, including the separation of regulatory and management functions, the Strategy's relation to decentralisation, and the roles of DGFP sections; (b) national and district-level workshops to distribute the guidelines, and communicate the key messages of the Strategy.

A.3.3.3. Strengthening and improving the legal and regulatory framework for forest and pasture management, which will entail: (a) providing legal advice on the additions and amendments required to improve the effectiveness of the Draft Forest Law, including its compatibility with the Strategy, (b) providing legal advice on the development of subsidiary regulations to the Draft Forest Law, (c) public consultation workshops to consult on the key provisions of the Draft Forest Law and subsidiary regulations, and (d) facilitating the building of consensus among stakeholders on an appropriate broader legal framework relating to registration, tenure and management of forest and pasture, identifying actions needed to provide sustainable management in the medium- and long term, and assisting to draft necessary legislative amendments and implementing regulations to strengthen the existing legal framework.

A.3.3.4. Developing the registers for forests and for pastures: The paper-based registers of forest and pasture lands (a paper record of management plans), housed within DGFP, are insufficiently equipped to provide clear information on the boundaries of state, communal and privately-held forest lands, and to record changing tenure arrangements, or changes in ownership. Building the capacity of the registers will entail: (a) establishing twelve regional registers, each with basic computer equipment and software with access via the internet to a centrally-held database (within the Directorate for Forest and Pasture Management Planning of DGFP), (b) training for regional staff in the use of this software, and (c) incorporation of information into the database including communal forest and pasture parcels boundaries; status of implementation of communal management plans, documentation of user rights, and stage of transfer to communes; and data from the forest inventory.

A.3.3.5. Developing and implementing an action plan to address illegal logging in project areas. This will include building on the work of the Inter-Ministerial Task Force on Illegal Logging (the Task Force) to further develop the inter-sectoral action plan to address illegal logging, and implementing elements of the action plan in project areas. The project will further support actions to reduce incentives for illegal logging, entailing: (a) an updated diagnosis of the root causes of illegal logging, and the practical options to reduce incentives for illegal logging, (b) working with the Task Force to further develop the national action plan to address illegal logging, and (c) providing low-cost commune-level solutions in project areas, including basic equipment for commune level monitoring of legal and illegal harvesting, small scale works to restrict access by illegal loggers, and by raising awareness . Options for commune level solutions will be confirmed by the analysis undertaken under (a).

A.3.3.6. Enhancing forest fire management at local levels. This will include updating and developing the National Forest Fire Management Strategy, clarifying the needs for implementing

the action plan at commune levels and supporting implementation of the action plan in project areas. This will entail: (a) advice to update the national National Forest Fire Management Plan and identify essential local-level actions, (b) a simple and effective fire danger rating system, suited to local conditions, (c) a unified reporting system to be used by all the agencies that monitor fires (DGFP, Ministry of Agriculture, emergency services, and communes), and (d) implementing actions at communal levels, including building public awareness of the causes and options to prevent forest fires, advice on incorporating fire management into communal forest and pasture management plans, providing basic fire-fighting equipment (protective clothing and hand tools) for communal forests, and providing basic communication equipment (radio handsets and mobile phones for communal fire watchers) for fire prevention and control teams located at hotspots in project areas.

COMPONENT B: IMPROVED MANAGEMENT AND GOVERNANCE OF WATERSHEDS

B.1. Introducing integrated resource management in micro-catchments (MCs)

In 30 communes in three of Albania's seven major watersheds that are particularly prone to erosion in the northern and eastern mountainous areas of the country, the project will pilot the integration of forest and pasture management with improved agricultural land management and livestock production at the MC level. The MCs will encompass an approximate total area of 190,000 ha, with a population of about 125,000 people.

During project preparation, three priority watersheds were selected by the project preparation team in accordance with environmental, social and technical criteria, which included: (i) magnitude of reversible natural resource degradation, (ii) topography, (iii) levels of poverty and relative potential impact of the project on livelihoods, (iv) current and potential impacts of erosion on downstream infrastructure, (v) coverage by the AFP, and (vi) biodiversity significance. Sixty six potential MCs for the three priority watersheds were mapped according to hydrological boundaries. The selection of MCs areas involved a two-stage process. In the first stage, 46 MCs were selected on the basis of objective and transparent criteria (accessibility, one commune per MC, population size and density) as candidate MCs. In the second stage, the final selection of 30 MCs will be conducted in a participatory manner involving a multi-disciplinary group of specialists from DFS and the Regional Agricultural Directorates, forming the Regional Watershed Support Teams (RWSTs) and a diverse group of stakeholders, including commune officials, district administrators, NGOs, and resource FPUAs. The selection process entails site visits to the MCs where the inter-sectoral group evaluates and ranks each MC against established criteria (e.g. level and reversibility of land degradation, level of social cohesion, willingness to participate and potential for income generating activities). The results of the site visits are disclosed at a public forum where the final 30 MCs are selected.

B.1.1. Preparing MC resource management plans

MC planning is the chosen instrument to achieve interaction among the village population and coordination of the regional efforts of the government in planning and implementation of watershed rehabilitation and management. The project will prepare 30 integrated MCs plans through a participatory process. The project will also prepare or update forest and pasture

management plans for these 30 communes. MC plans will build on forest and pasture management plans and refer to the key actions that they identify. The MC planning process will incorporate expected "behavioral changes" on the community side and it will seek people's participation in the use and management of forest, pasture and agricultural lands. While resource planning will be consolidated at the level of the MC in accordance with the prevailing local realities, rules and practices, the building blocks of the MC plan will be village-level resource management plans, recognizing the rights and interests of all community stakeholders.

The preparation of the MC plans will be preceded by: (a) a series of training workshops for regional and commune staff and the chairmen of FPUAs on the MC planning process, (b) confirmation of the RWST and commune staff to lead the process. Resource management planning in the villages will entail: (i) awareness raising in the communities about the concept of MC planning and about the linkages between sustainable natural resource management and income generation, (ii) identification of the contact groups and establishment of a MC planning committee, (iii) collection of information in villages across the MC, (iv) a stakeholder analysis and identification of the target groups, (v) an iterative 'Beneficiary Centered-Problem Census-Problem Solving' exercise[9], and (vi) the preparation of a detailed implementation plan. Through the iterative process, the village plans will be combined into an overall unified MC plan since the resources are shared by all of the villages included in the MC.

The RWSTs will review the emerging plan to advise on improving its effectiveness with regard to (i) ensuring resource rehabilitation, and (ii) increasing resource productivity and derived incomes, and (iii) addressing the needs of excluded groups, for example by targeting paid labor opportunities to the poor and women, and by exempting the poorest from access restrictions.

B.1.2. Implementing MC management plans

The project will support implementation of the MC plans through provision of small-scale investments and/or technical support for activities identified in the planning process. In addition to investments in communal forest and pasture lands as described under component A, this component will cover investments in state forests and agricultural land, so as to address natural resource degradation at the level of the MC. For agricultural activities, the objective will be to improve agricultural practices to rehabilitate degraded areas and to increase productivity to reduce the need to cultivate or graze on marginal and erosion prone areas. A menu of interventions will be offered to the communities that comprise a range of treatments, some of which may be conditional on adoption in of others. The menu will vary in accordance with the agro-ecological and socio-economic conditions of each village as well as the villagers' resources and needs. The approach will be flexible so as to be able to respond to the needs of the villagers and flexibility will be maintained during project implementation.

[9] This is a non-threatening, focused discussion that uses small group dynamics to elicit: (i) a complete and ranked census of the real and perceived problems of individual household, villages and communa as a whole, (ii) the communities proposed solutions to these problems. This approach provides the setting in which all members of the community can contribute. No problem is rejected and all solutions are considered. The final ranking of problems and preferred solutions are theirs. The project's contribution is limited to facilitating the creation of the setting in which this approach can be conducted. Project staff only explains the process. They do not take part in the discussion nor make promises.

In addition to investments in communal forest and pasture lands as described under A.1.2., the menu of activities proposed to MC beneficiaries will include:

- Land stabilization in state forests and agricultural land: This entails the construction of check dams, maintenance or protection of existing infrastructure, and planting of trees and shrubs in order to reduce flooding, landslides and sedimentation. Small scale irrigation systems may be supported with resources made available under the Water Resource Management Project.

- Resource rehabilitation in state forests: This entails controlled grazing, and natural and assisted regeneration of forests.

- Rehabilitation of agricultural land: This entails protection and improvement of poor, degraded bare agricultural land; fallow reduction; appropriate use of marginal lands switching from annual production of cereals on slopes to production of land stabilizing perennial crops, forage legumes, medicinal and aromatic plants, fruit bearing trees and bushes.

- Sustainable use of agricultural land and livestock production to reduce the need to cultivate and graze on erosion-prone areas: This entails the establishment of shelterbelts around fields; wild tree grafting; demonstration of improved agronomic practices; improving rain-fed agriculture and irrigated agriculture; irrigated fodder crop production; development of vegetable production; improved feed-base and productivity per animal.

Complete details of the menu of intervention are provided in the Project Implementation Manual.

The project will support implementation of the MC management plans up to a budget ceiling of US$ 95,000. Interventions will be supported by in-kind community contributions equivalent to at least 20% of their value.

The NRDP will facilitate access for communities to additional financing from other World Bank supported projects in Albania, the IFAD-sponsored Mountain Areas Development Program (MADA), and the IFAD-sponsored Mountain Areas Finance Fund. The RWSTs will be in charge of informing the communities about these opportunities and how to access them.

B.2. Strengthening governance for watershed management

B.2.1 Training of regional agricultural directorates, drainage boards, DFS staff and commune staff in extension advice

The project will train regional agricultural directorates, drainage boards, DFS and commune staff, at district, regional and national levels in the provision of extension advice in the context of MC management. This will entail: (a) preparing guidance notes on MC planning, (b) study tours to share experience of MC planning elsewhere in the region, (c) assessment of national and local training needs, (d) providing a training course for key national and regional-level trainers, (d) national and regional-level trainers extending the training to the 30 communes supported under

component B.1, and (e) extending training to additional communes beyond the pilot 30 MCs supported under the project.

B.2.2 Strengthening relationships with Land Administration and Protection offices (LAPs)

The Land Administration and Protection Offices (LAPs) within the Ministry of Agriculture and Food have been recently established to administer the storage of land information, planning and protection, and land transactions. The LAPs could, therefore, become key to achieving sustainable watershed management. In areas addressed by the MC planning approach, the project will: (a) assess the capacity and the role of LAPs in relation to project areas, specifically with respect to documentation of user rights and preparation of management plans, (b) develop a synopsis of the different institutional arrangements for land, natural resources and environmental management; (c) assess the relationship between the Immovable Property Registration System, forests and pastures registers, and LAPs offices, (d) build awareness among staff of the regional and communal level LAPs of the MC planning approach; and (e) identify duties of regional and communa level LAPs, establishing links with the regional and district forest services.

B.2.3 Advising on implications for land administration and tenure

The project will draw on its experience in forest and pasture management, and on its experience in MC management, in order to inform ongoing legal developments regarding land administration and tenure. This will entail: (a) providing legal advice on the additions and amendments required in laws governing land tenure and user rights, (b) providing legal advice on the development of subsidiary regulations laws governing land tenure and user rights, and (c) public consultation workshops to discuss the key requirements in the development of law governing land tenure and user rights.

COMPONENT C: PROJECT MANAGEMENT AND MONITORING

C.1. MAF project management.

The project will be managed by a project management team within DGFP, supported by two contracted technical specialists and contracted administrators for financial management and procurement, a Project Technical Committee (PTC), and an inter-ministerial Project Implementation Oversight Committee (PIOC). Regional coordinators will support regional project managers from within District Forestry Services. Full details are provided in Annex 6 on Implementation Arrangements.

C.2. Public awareness of the benefits of sustainable natural resource management

The project will help build awareness among target beneficiaries and other stakeholders at local, regional and national levels, of the needs and opportunities afforded by community-based resource management, and related issues such as fire management and control of illegal logging. It will increase transparency in project implementation and empower beneficiaries to demand project services as well as understand more clearly their legal rights. In addition, the project will support sharing of experience between communes. This will entail: (i) through periodical press conferences, raising public awareness of land use issues, the protection of forest areas, and

related policies; (ii) through national TV programs, building awareness of the social and economic dimension of forestry; (iii) through TV news items, announcing key events and news (for example larger-scale illegal logging); (iv) through local TV programs, informing residents on local level forest and pasture issues; (v) through publications, such as a monthly bulletin on forest, pasture and watershed management, as well as through seminars, conferences and exhibitions on the issue and (vi) study tours for the technical staff and villagers to project MCs.

C.3. Monitoring and evaluation (M&E)

Overall project M&E will be the responsibility of the PMT, and will be undertaken by an M&E specialist and data entry specialist at the national level, supported by the regional managers and coordinators. The M&E system will include routine monitoring and evaluation, as well as baseline, midterm and final assessments of social, environmental and economic benefits of the project. Performance against objectives and indicators will be assessed on an annual basis at the central, regional and commune levels. At the end of the project, an ex-post evaluation measuring the overall success of the project components will be conducted. Additionally, the M&E specialist will prepare quarterly reports for submission to the PMT covering progress in physical implementation, use of funds, and project impacts. Quarterly reports will be consolidated into semi-annual progress reports to be submitted to the Bank. The latter will also include implementation and work plans for the six months following the reporting period.

C.4. Implementation of Environmental Management Framework

Requirements for the Environmental Management Framework are integrated into the process for planning and implementing activities within forest and pasture management, and micro-catchment management. In addition, an annual environmental performance audit will be carried out by an independent organization or consultant in collaboration with regional environment and natural resources protection agencies. Services would also be contracted to assist with this annual environmental performance audit.

C.5. Carbon sequestration verification and monitoring.

Services will be provided for the monitoring and verification of carbon sequestration, as required by the Kyoto Protocol.

Annex 5: Project Costs

ALBANIA: NATURAL RESOURCE DEVELOPMENT PROJ.

Project Cost By Component and/or Activity	Local US$ million	Foreign US$ million	Total US$ million
A. Improved Management and Governance of Forests and Pastures	11.86	0.80	12.66
B. Improved Management and Governance of Watershed	3.66	0.23	3.89
C. Project Management and Monitoring	1.75	0.20	1.95
Total Baseline Cost	17.27	1.23	18.50
Physical Contingencies	0.30	0.07	0.37
Price Contingencies	0.45	0.08	0.53
Total Project Costs[1]	18.02	1.38	19.40
Interest during construction			
Front-end Fee			
Total Financing Required	18.02	1.38	19.40

While it is expected that the Sida contribution will be made available, the IDA Credit and the GEF Grant can stand on their own should co-financing by Sida not occur. In that case, funding for the components that show co-financing by Sida would be reduced.

Annex 6: Implementation Arrangements

ALBANIA: NATURAL RESOURCE DEVELOPMENT PROJ.

Project management and implementation arrangements will ensure that the project management function is integrated within existing government structures, and will support government's decentralization initiative. The Project will be implemented over a period of 5 years, and will work in approximately 218 communes, including 138 communes that were assisted to initiate sustainable forest and pasture management under the Albania Forestry Project, together with an additional 80 communes across Albania's mountainous and upland erosion-prone areas. Under component B, about 30 of these communes would be assisted to initiate natural resource planning at the level of the micro-catchment (i.e., planning will include forests, pastures and also agricultural lands within the micro-catchment).

The Ministry of Agriculture and Food (MAF) will have overall responsibility for the project, and the lead agency with responsibility to deliver project implementation will be the General Directorate for Forests and Pastures (DGFP) and its regional and district directorates. The structure of management responsibilities is described below. Terms of reference for each key position and body referred to are included in the Project Implementation Manual.

In Summary, inter-ministerial coordination and oversight will be provided through a Project Implementation Oversight Committee (PIOC). A Project Technical Committee (PTC) will provide technical oversight and guidance and ensure coordination within the MAF. A Project Management Team (PMT) consisting of a Project Coordinator and senior staff assigned from within the DGFP, assisted by six contracted specialist staff, will manage the project at the national level. The PMT will report to the General Director of DGFP. At the regional level, one senior staff member at each of the 12 District Forestry Services (DFS) will be assigned as Regional Manager (RM) with responsibility for project management at the regional/district level. In the five regions where component B will be implemented (Dibra, Elbasan, Korce, Kukes, Lezha), the RMs will be supported by a contracted Regional Coordinator (RC) and, together, they will establish and participate in Regional Watershed Support Teams (RWSTs), comprised of assigned staff from the DFS and the Regional Agricultural Directorates. At the level of communes, commune heads, assisted by Forest and Pasture Users Associations (FPUAs), will oversee implementation, for components A and B.

Project Governance

A **Project Implementation Oversight Committee (PIOC)**, will include the same membership as the committee that was established to oversee project preparation. It will be chaired by the Minister of Agriculture and Food and will include representatives of the Ministries of Environment, Decentralization and Local Government, the national Federation of Forest and Pasture Users Associations, and NGOs. It will ensure inter-sectoral coordination, monitor progress in project implementation, and resolve policy-related issues associated with the management and governance of forests, pastures and watersheds, as well as the role of the project in supporting the government's decentralization strategy. It will meet approximately twice each year.

Within MAF, a **Project Technical Committee (PTC)** will provide oversight and technical guidance on project implementation. It will meet quarterly to review and approve workplans and progress reports prepared by the PMT, with emphasis on progress against indicators of implementation and impact. It will clear documents to be submitted to the oversight committee. The PTC will be chaired by the Director of Agriculture Program Office, and will include the participation of the General Director of DGFP, the Agriculture Program Office, the Rural Development Directorate within MAF, the Land Administration and Management Directorate within MAF, and Legal and Finance Departments of MAF. It will also include a representative of the national Federation of Forest and Pastures Associations, the National Secretariat for Watershed Management of the Ministry of Territorial Adjustment and Tourism, and NGOs. Additional technical expertise may be invited to participate on an as-needed basis.

Project Management at the National Level

At national level the **Project Management Team (PMT)** will include the Director of the Directorate of Communal Forest, Pastures and Extension Services as the Project Coordinator, other DGFP senior staff, and a contracted Project Manager. The PMT will be supported by five contracted staff including a financial management specialist, procurement specialist, two technical specialists, and support staff. The Project Coordinator will provide leadership to the project, and ensure coordination between the activities of the project and the ongoing activities, policies and development of DGFP. The Project Manager, supported by the staff of the PMT, will be responsible for overall management of the project at the national level, including the preparation and timely implementation of work plans, procurement, financial management, reporting, and monitoring and evaluation. The PMT will oversee and support project implementation in the 12 regions, and will be responsible for oversight and sign off on procurement activities undertaken by communes in implementing micro-catchment plans and forest and pasture plans. Within the PMT, a monitoring and evaluation specialist and a data entry specialist (both assigned Government staff) will be responsible for overall project monitoring and evaluation.

Project Management at the Regional Level

In each of Albania's twelve administrative regions, a senior staff member of the District Forest Service (DFS) will be assigned as **Regional Manager (RM)** responsible for project oversight and implementation of component A. In the DFS offices of Dibra, Korce, Kukes, and Lezha, and at the Regional Forest Directorate at Elbasan, the RMs will be assisted to implement component B by externally hired **Regional Coordinators (RCs)**, as well as a team of staff assigned by the Regional Agricultural Directorates called "Regional Watershed Support Teams" (RWSTs).

Regional Watershed Support Teams (RWSTs) will be established at Dibra, Kukes, Lezha, Elbasan and Korce, and will include staff assigned from the Regional Agricultural Directorates, the RM and other staff of the DFS as appropriate, and the RC. The RWSTs will coordinate and facilitate micro-catchment planning and implementation of component B. Over the life of the project, the RWSTs would develop the capacity to replicate and scale up micro-catchment planning in additional micro-catchments and watersheds not currently included in the Project Implementation Manual.

At Dibra, Kukes, Lezha, Elbasan and Korce, **Regional Coordinators** will assist the RM to ensure intersectoral collaboration between DFS and Regional Agricultural Directorates, and undertake project planning, scheduling and reporting, as well as micro-catchment planning and project implementation in each of the five regions. Each RC will report to an RM, and will assist the RWSTs to achieve project objectives in the region, and plan to replicate and scale up intersectoral working through micro-catchment planning across the region.

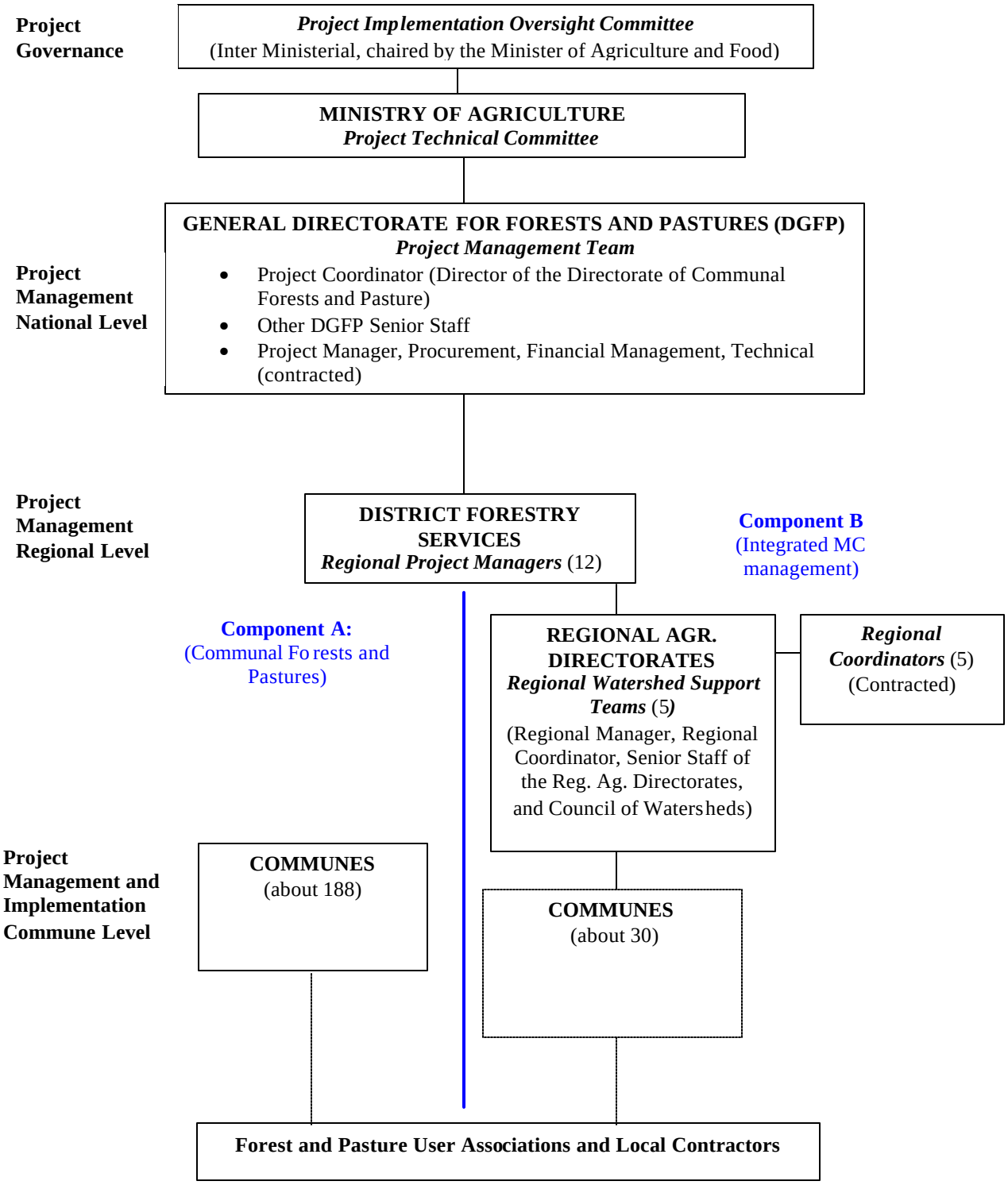
Project Implementation Arrangements at the Level of Communes

Each commune council is responsible for ensuring that communal forest and pasture management plans and micro-catchment plans are prepared. Under Component A, commune councils will contract private consultants or Forest and Pasture User Associations (FPUAs)[10] to prepare the communal forest and pasture plans. Commune councils are responsible for ensuring that the plans are prepared with the participation of elected village commissions, and are based on advice of the DFS staff. Under Component B, RWST will prepare the micro-catchment plans. Commune councils are responsible for ensuring that the plans are prepared with the participation of elected village commissions, FPUAs, and other stakeholders in the commune. A three-member group from the DFS (Head of Management, Head of Police, and Head of Finance) will authorize the plans to ensure they comply with Forest Law. Copies of the plans will be logged with the DGFP forests and pastures register.

Following the preparation of communal forests and pastures management plans, or micro-catchment plans, each commune will develop a three-year annual investment program, based on the stated priorities of elected village commissions. Each three-year investment program will be agreed between the commune and the PMT, and endorsed by the commune head, and the FPUA. The PMT will ensure that the investments proposed concur with the communal forests and pastures management plan, or the micro-catchment plan, and that unit price of labour and goods fall within the PMT's established ceilings for unit costs. Based on the annual investment program, communes agree three consecutive annual lump-sum contracts with FPUAs to implement the program. The contracts will set out the details of the works to be undertaken, goods to be supplied to villages, and milestones for payment. On satisfactory achievement of each milestone, as confirmed by the commune, the PMT will make direct payments to FPUAs.

[10] Forest and Pasture User Associations are non-governmental organizations consisting of members of the public that are using forest and pastoral resources in the territory of the commune.

Project Management and Implementation Arrangements



Annex 7: Financial Management and Disbursement Arrangements

ALBANIA: NATURAL RESOURCE DEVELOPMENT PROJ.

Country Issues

The latest Country Financial Accountability Assessment (CFAA) confirms that improvement is required in the management of public expenditures, including cash management in Treasury and better internal control throughout the public sector. Internal audit is currently being developed to improve the government's internal control environment. The supreme audit institution also needs strengthening. The PMT has developed policies and procedures that operate in addition to those of the current public expenditure management framework to minimize project financial management risks based on the experiences with the previous Forestry Project.

Strengths and Weaknesses.

The significant strengths that provide a basis of reliance on the project financial management system include: (i) the experience of MAF through a number of PIUs and its finance staff of implementing Bank-financed projects and satisfying Bank financial management requirements; and (ii) the unqualified audit reports and positive management letters issued by project auditors.

Implementing Entity.

At national level the Project Management Team (PMT) will include the Director of the Directorate of Communal Forest, Pastures and Extension Services as the Project Coordinator, other DGFP senior staff, and a contracted Project Manager. The PMT will be supported by five contracted staff including a financial management specialist, procurement specialist, two technical specialists, and support staff. The Project Coordinator will provide leadership to the project, and ensure coordination between the activities of the project and the ongoing activities, policies and development of DGFP. The Project Manager, supported by the staff of the PMT, will be responsible for overall management of the project at the national level, including the preparation and timely implementation of work plans, procurement, financial management, reporting, and monitoring and evaluation. The PMT will oversee and support project implementation in the 12 regions, and will be responsible for oversight and sign off on procurement activities undertaken by communes in implementing micro-catchment plans and forest and pasture plans. Within the PMT, a monitoring and evaluation specialist and a data entry specialist (both assigned Government staff) will be responsible for overall project monitoring and evaluation.

All financial management activities will be carried out by the by the PMT.

Funds Flow.

Project funds will flow from the IDA, GEF, Sida via three Special Accounts which will be replenished under the Bank's report based procedures. Three accounts will be opened in a commercial Bank acceptable to the Association where funding from each respective source will

be transferred to. Counterpart funding from the Government of Albania will be provided through the Treasury system directly to the suppliers.

Staffing.

The PMT will include an accountant. The accountant is already trained in World Bank disbursement and financial management procedures and has long experience from the previous Forestry Project. Terms of Reference for the PMT with detailed descriptions of duties and staffing are included in the Project Implementation Manual (PIM).

Accounting Policies and Procedures.

The accounting books and records are maintained on a cash basis with additional information on commitments related to signed contracts. Project financial statements are presented in local currency. PMT has instituted a set of appropriate accounting procedures and internal controls including authorization and segregation of duties as far as possible.

The policies and procedures are further elaborated in the PIM.

Internal Audit.

MAF's internal audit unit will audit the activities as a normal part of their work. However, as the capacity of the unit is still being developed the project will not seek to place any reliance upon any work that it might undertake.

External Audit.

No significant issues have arisen in the audits of previous Bank-financed projects implemented by MAF.

Previous and current auditing arrangements and findings are satisfactory to the Bank and it has thus been agreed that similar audit arrangements will be adopted for this project.

The auditor will be appointed by the Ministry of Finance (MOF) as part of an overall agreement for the audit of the non-revenue earning Bank-financed portfolio in Albania. Specific terms of reference is used for the projects covered by this agreement. Despite the MOF's arrangements, the PMT is responsible for delivering to the Bank, within six months of the closing of each fiscal year, the audited financial statements. The annual cost of the audits will be covered by the GoA as part of the portfolio audit. In addition the country's supreme audit institution, performs ad hoc external audits of the project.

Reporting and Monitoring.

Integration of the project accounting system with MAF main accounting system will be considered during the course of project implementation based on a specific assessment of those systems.

Project management-oriented Financial Monitoring Reports (FMRs) will be used for project monitoring and supervision and the indicative formats of these are included in the Financial Management Manual, see below. PMT will produce a full set of FMRs every three months throughout the life of the project.

The accounting for the project is cash basis with additional information provided on contractual commitments.

Information Systems.

The PMT has installed an off-the-shelf accounting package, designed for small business users. This package runs under MS Windows XP, contains adequate user access controls and is capable of generating FMRs. The same software will be adopted to manage forthcoming Bank-financed projects in Albania.

The Financial Management Manual included in the PIM sets out the financial management and internal controls policies and procedures and is intended to guide staff and minimize the risk of errors and omissions, as well as delays in recording and reporting. These written standards also clarify responsibilities, including level of authority, clear control over assets, cash, and bank accounts, and it ensures timely and accurate financial reporting.

Disbursement Arrangements.

Bank funds will be disbursed under the Bank's report based procedures, i.e. the PMT will use FMRs to support applications for withdrawal, and the PMT will not provide the Bank with a detailed list of expenditures. Should the IDA determine at any time that the FMRs are not adequate to support the disbursement process, it reserves the right to revert to the traditional disbursement methodology (SOEs, summary sheets etc.). Supporting documentation for all payments made, including completion reports and certificates, will be retained by the Borrower and made available to the Bank during project supervision.

As soon as the project becomes effective the PMT will open and manage the three Special Accounts for the donor funding of this project, in the Bank of Albania to which the IDA, GEF and Sida funds will be transferred. Since the Bank of Albania does not execute commercial transactions with third parties, the PMT will transfer the funds from the Special Accounts to three second-level accounts in US dollars opened by the project in a commercial bank acceptable to the Bank from which it pays eligible expenses related to the project. Counterpart funds are transferred through the Treasury system directly to the suppliers. Withdrawal applications for the replenishments of the Special Accounts will be sent to the Bank every three months attaching the FMR and a calculation of the funds needed for the following six-month period. Upon receipt of each application for withdrawal of an amount of the Credit, the Bank shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the respective Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Bank has determined, based on the FMRs, is required to be deposited in order to finance eligible expenditures during the six-month period following the date of such reports.

Supervision Plan.

During project implementation, the Bank will supervise the project's financial management arrangements in two main ways: (i) review the project's quarterly financial management reports as well as the project's annual audited financial statements and auditor's management letter; and (ii) during the Bank's supervision missions, review the project's financial management and disbursement arrangements (including a review of FMRs and movements on the Special Account) to ensure compliance with the Bank's minimum requirements. As required, a Bank-accredited Financial Management Specialist will assist in the supervision process.

Disbursement Schedule

Expenditure Category	Amount in US$	% of Expenditures to be financed
1. Works	11 020 000	89%
2. Goods	1 190 000	89%
3. Consultant services	1 785 000	89%
4. Training/workshops	440 000	89%
5. Capacity Building	845 000	89%
6. Incremental Operating Costs	1 260 000	89%
7. Management Planning	2 860 000	89%
Total	**19 400 000**	**89%**

Annex 8: Procurement Arrangements

Albania: NATURAL RESOURCE DEVELOPMENT PROJ.

A. General

Procurement for the proposed project would be carried out in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004, and the provisions stipulated in the Legal Agreements. The various items under different expenditure categories are described in general below. For each contract to be financed by the Credit and the Grants, the different procurement methods or consultant selection methods, estimated costs, prior review requirements, and time frame are agreed between the Borrower and the Bank in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

Procurement of Works: Works under this project would include: (i) communal works and activities for implementation of communal forest and pasture management plans and carbon sequestration, such as thinning, fencing, planting, construction of water points, etc.; (ii) works for the implementation of micro-catchments management plans such as cleaning and planting in State forests. Works estimated to cost US$ 100,000 or more will be procured through ICB. Small works estimated to cost less than US$ 100,000 each may be procured through Shopping on the basis of three written quotations obtained from qualified contractors.

Procurement of Goods: Goods procured under this project would include: (i) office equipment, (ii) vehicles, (iii) basic anti fire equipment for communes, (iv) supply and installation of forest and pasture register IT system and (v) goods for implementation of micro-catchments plans such as seeds, seedlings, fertilizers and grafting material. Vehicles and equipment estimated to cost US$ 100,000 or more will be procured through ICB. Readily available off-the-shelf goods estimated to cost less than US$ 100,000 each may be procured through Shopping on the basis of three written quotations obtained from qualified suppliers.

Procurement of works and goods for implementation of (i) forest and pasture management plans and (ii) micro-catchments management plans will be carried out by the Forest and Pasture User's Associations (FPUAs). Each commune under the scope of project will sign a contract with the FPUA located in that commune through Direct Contracting. FPUAs are NGOs which consist of all users of the forest and pasture resources in that commune. The budget allocated for these contracts are as follows:

- For implementing existing forest and pasture management plans: US$ 10,000 per year per commune.
- For implementing new forest and pasture management plans: US$ 15,000 per year per commune.
- For carbon sequestration services: US$ 20,000 per year per commune.
- For micro-catchments management plans: US$ 30,000-35,000 per year per commune.

Selection of Consultants: Consulting services under this project would include but not limited to: (i) consultancy on clarifying the documents for usufruct right, (ii) legal advice on forest law and subsidiary legislation, (iii) training program for FPUAs, (iv) development of guidelines for forest and pasture registry, (v) technical assistance for early warning system to enhance forest fire management, (vi) prevention of illegal logging, (vii) training and agricultural advisory services to farmers, (viii) development and implementation of public awareness campaign, (ix) institutional reform and development and (x) budgetary review. Short lists of consultants for services estimated to cost less than US$100,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Consultancy services to be provided by consultancy firms estimated to cost US$ 200,000 or more will be procured through Quality and Cost Based Selection (QCBS) method. Consultancy services to be provided by consultancy firms estimated to cost less than US$ 200,000 may be procured through Consultants' Qualifications (CQS) method. The contract for design and implementation of a public awareness campaign will be awarded through Fixed Budget Selection (FBS). Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines. Individual Consultants will be selected in accordance with Section V of the Consultant Guidelines. The selection of consultants for the preparation of forest and pasture management plans to be contracted by the communes estimated to cost less than US$10,000 per contract, shall be carried out by the Community Participation Procurement method in accordance with paragraph 3.17 of the Procurement Guidelines and in accordance with procurement procedures defined in the Project Implementation Manual, prepared in accordance with the Manual for Conducting Very Small Value Procurements under World Bank/IDA/ Small Grants, Loans, Credits (June 2004).

Recurrent Costs: The recurrent costs for the Project Management Team (PMT) and Regional Coordinators covering office supplies, utilities, operating and maintenance expenditures of office equipment and vehicle, non-professional staff, travel and per-diem expenditures for field staff etc. would be disbursed on the basis of annual budgets to be prepared by PMT and agreed with the World Bank.

B. Assessment of the agency's capacity to implement procurement

Procurement activities under the project will be carried out by the Project Management Team (PMT) established in the General Directorate of Forestry and Pasture (DGFP). The PMT will be responsible for oversight and approval of contracts to be signed by the communes with FPUAs for implementing forest and pasture management plans and micro-catchments management plans. The PMT will be staffed by experts in the following areas: procurement, financial management, monitoring and evaluation, management and technical expertise. The management of procurement activities will be under the responsibility of the PMT, which will have at least one full-time procurement staff to be recruited on a competitive basis and one additional full-time staff assigned by DGFP.

An assessment of the capacity of the Implementing Agency to implement procurement actions for the project has been carried out by the Bank's Procurement Specialist together with Procurement Assistant on January and March 2005. The assessment reviewed the organization and structure of PMT for implementing the project and possible implementation arrangements under DGFP.

Key issues and risks concerning procurement for implementation of the project have been identified and include the following:

- The Country Procurement Assessment Report (CPAR), which was completed in January 2001, offered a diagnosis of Albania procurement system as a whole. Though currently Albania has satisfactory procurement legislation and regulatory framework, its implementation remains the weak point. Albania procurement law is completed and is based on UNCITRAL model. Currently the procurement legislation is based on the law no. 7971 "On public procurement", which was passed by parliament on 26 July, 1995. This law is amended by law no. 8039, dated 23 November 1995, law no 8074, dated 22 February 1996, law no. 8112, dated 28 March 1996, law no. 8767, dated 5 April 2001, and the law no. 9064 dated 8 May 2003. Though it is evaluated to be a very comprehensive law, it is undermined by the poor application and enforcement. CPAR has ranked Albania as "high risk" country.

- DGFP has no experience in fiduciary management of Bank financed projects. Even though the previous Forestry Project was implemented under its structure, all the implementation was delivered by a Project Management Unit, which did not contribute significantly to build capacity within DGFP.

The corrective measures which have been agreed are as follows:

- The procurement file containing up to date procurement documents (Bank's guidelines, manuals, templates of procurement notices, standard bidding documents for procurement of goods and works, standard request for proposal documents for consultant services, evaluation report formats, regional and simplified procurement documents etc.) to be used for each procurement method was provided to PMT at the time of pre-appraisal. The updated documents are available in the Bank's external web-site. The PMT is recommended to visit the Bank's web-site frequently to ensure using the most updated procurement documents.

- The Project Launch Workshop will have a specific session on procurement training for the PMT staff.

- PMT will hire, on a competitive basis, a procurement staff that has a general understanding and basic knowledge on Bank's procurement procedures with experience in internationally financed projects. DGFP will also assign at least one person to work closely with the PMT procurement staff. This arrangement would help capacity building within the DGFP and will also help mainstreaming with the existing public administration structure in Albania.

- The procurement staff will attend training on Bank procedures organized by ILO in Turin and regional training programs delivered by ECA RPM's office. The procurement staff will particularly keep close contact with the Bank's procurement staff based in Albania Country Office.

- The Bank's procurement specialist assigned to the project shall participate in supervision missions at least twice per year, especially in the first year of project implementation.

The overall project risk for procurement is high.

C. Procurement Plan

The Borrower, at appraisal, developed a procurement plan for project implementation which provides the basis for the procurement methods. This plan has been agreed between the Borrower and the Project Team in March 2005. The plan includes activities for the whole project implementation period. It will be available in the project's database and in the Bank's external website. The Procurement Plan will be updated annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

D. Frequency of Procurement Supervision

In addition to the prior review supervision to be carried out from Bank offices, the capacity assessment of the Implementing Agency has recommended every six months supervision missions to visit the field to carry out post review of procurement actions.

E. Details of the Procurement Arrangements Involving International Competition

1. Goods, Works, and Non Consulting Services

(a) List of contract packages to be procured following ICB:

Ref. No.	Contract Description	Estimated Cost	Number of Contracts	Procurement Method	Domestic Preference (yes/no)	Review by Bank (Prior / Post)	Expected Bid-Opening Date
1	Vehicles for PMT and Regional Offices	250,000	1	ICB	Yes	**Prior**	
2	GIS equipment at the National, Regional and District level	180,000	1	ICB	Yes	**Prior**	

(b) All ICB contracts will be subject to prior review by the Bank.

(c) All the works and goods contracts for the implementation of forest management plans, activities for carbon sequestration and implementation of micro-catchments plans will be carried out by the Forest and Pasture User's Associations located in each commune, which will be contracted through Direct Contracting.

2. Consulting Services

(a) List of consulting assignments with short-list of international firms.

Ref. No.	Description of Assignment	Estimated Cost	Number of Contracts	Selection Method	Review by Bank (Prior / Post)	Expected Proposals Submission Date
1	Support Institutional Reform and Development within DGFP and DFS	210,000	1	QCBS	**Prior**	
2	Updating diagnosis and action plan to address illegal logging	97,000	1	CQ	Post	
3	Assessment and synopsis of capacity of Land Administration and Protection Offices	60,000	1	CQ	Post	
5	Development and implementation of Public Awareness Strategy	300,000	1	FBS	**Prior**	
6	M&E Database and Impact Assessment	60,000	1	CQ	Post	
7	Training to FPUAs	500,000	Multiple	SS	**Prior**	

(b) Consultancy services estimated to cost above US$ 100,000 per contract and all Single Source selection of consultants (firms) will be subject to prior review by the Bank.

The training for FPUAs will be provided by the SNV (Netherlands Development Organization), which will be contracted on a Single Source basis. SNV has been closely involved in building the capacity of Forest and Pasture Users Associations under the previous Forestry Project in Albania and is currently providing training services to maintain support for users associations following the closing of Forestry Project until the effectiveness of new project.

(c) Short lists composed entirely of national consultants: Short lists of consultants for services estimated to cost less than US$ 100,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Annex 9: Economic and Financial Analysis

ALBANIA: NATURAL RESOURCE DEVELOPMENT PROJ.

1. Economic analysis

The economic benefits associated with the improvement of the natural resources within the 218 communes (including the 30 communes where MC plans will be implemented) fall into two main categories i) benefits in the upper watersheds from improved natural resource management (reversal of degradation of pasture land and increased productivity of sustainable forest and pasture management); and ii) benefits in the lower watersheds from reducing damage to infrastructure and agricultural crops caused flooding and sedimentation of water courses. The overall Economic Rate of Return (ERR) for the project, including both upstream and downstream benefits is 21.2%.

The economic analysis is an assessment of the incremental benefits realized by the project components. These incremental benefits are evaluated over a 45 year period as many benefits take time to accrue. ERR and NPV values calculated using an annual discount rate of 12 per cent. The analysis incorporates both quantitative and qualitative impacts.

The overall aim of the project is to help reverse the current severe degradation of upland and mountainous erosion-prone lands and resulting flooding and sediment runoff to the Adriatic Sea. 60% of Albania is higher than 600m above sea level and has high variable rainfall, with low rates of agricultural productivity and low rural incomes. Poverty is concentrated in rural, hilly and mountainous areas (70% of the poor reside in these areas) and in the north-east of the country. The NRDP will, over 5 years, work to reverse this trend through the rehabilitation and improved management of natural resources and sustainable forestry, pasture and agricultural activities.

The economic benefits expected to be realized by the project include direct benefits such as increased agricultural yield and increased sustainable harvests of fuelwood, timber, Non-Timber Forest Products (NTFPs) and fodder, and indirect benefits such as the reduced damage from downstream floods and sedimentation, soil stabilization, resource regeneration and biodiversity enhancement.

Component A: Improved Management and Governance of Forests and Pastures
There are 218 communes, 138 of which were already assisted to establish sustainable forest and pasture management plans under the AFP. 80 additional communes will be provided with support under the NRDP. Of the total 218 communes, 30 are included in micro-catchments (MCs), where MC plans will be developed and implemented. Of these 30, 23 were former AFP communes. Therefore there will be 115 communes that update and implement Community Forest and Pasture (CFP) management plans under component A1, 73 will receive new CFP plans and interventions and 30 communes will pilot the micro-catchment plans (component B1) which incorporate CFP and agricultural resource management planning and implementation.

Component A is comprised of three sub-components:

- A1: Strengthening participatory forest and pasture management in 115 communes that were supported under the Albania Forestry Project (AFP), including the capturing of carbon finance resources for carbon sequestration in 30 communes.
- A2: Introducing participatory forest and pasture management, including the preparation and implementation of forest and pasture management plans in 73 communes that were not covered under the AFP.
- A3: Strengthening governance for forest and pasture management, including building capacity of Forest and Pasture User Associations (FPUAs), training of DGFP and DFS, implementing priority actions of the National Strategy for the Development of Forests and Pasture – building awareness, institutional strengthening, action plans on illegal logging and enhancing forest fire management at local levels.

Participatory forest and pasture management will also form part of the holistic micro-catchment planning in 30 communes, Component B. The benefits (direct and indirect) including increased productivity from timber, fuelwood and fodder and downstream watershed benefits are also attainable within this component (see below).

A1: Forest and pasture management in 115 communes and capturing carbon finance resources for carbon sequestration.

The project will continue to support implementation of forest and pasture management plans in 115 communes which received assistance under the AFP, working predominantly in additional areas that still fall within the overall forest and pasture management plan of the commune. This will result in direct benefits of rehabilitated resources and soil stabilization, increase fuelwood and fodder yields and timber production in the longer term. The implementation of forest and pasture plans will cover an average of total of 2000 hectares per commune. While direct physical interventions under the project, will cover 120 hectares. The total area that will be rehabilitated and generate benefits from increase timber, fuelwood and fodder benefits is expected to be at least 660 hectares (one third of the area), based on the experience from the AFP (where 60% of land was rehabilitated in some circumstances) and other countries. This is a result of the application of the plan covering the whole area where there will be a change in behavior (i.e. reduced grazing, increased protection etc), coupled with institutional support, capacity building, training and general awareness for sustainable forest and pasture management.

Direct benefits will accrue from the increase in fuelwood from thinnings by $3m^3$ per hectare per year from year 10, post implementation, for an area of 660 hectares per commune. This is valued using the market price for fuelwood of US$ $3/m^3$ (net of production and harvesting costs). However this increase in fuelwood production is predominantly to meet household needs and not for sale. Protection and rehabilitation of the forest and pasture resources will also result in an increase in fodder production of 1 ton per hectare, from Year 2, valued at net price of US$ 1/ton. Timber yields are currently minimal from communal forests. The project will generate a potential for sustainable removable timber in the longer term. Harvesting is expected from Year 25, at a rate of $2m^3$/ha/year, valued at a standing price (net of costs) of US$ $10/m^3$ based on local knowledge The increased production of fuelwood and timber will not only serve to meet some of the household needs but simultaneously reduce the pressure of fuelwood demand from State

forests. The price of timber is low compared to international standards but reflective of the market situation in Albania.

In addition, rehabilitation of the communal forest and pasture areas will result in increased yields of NTFPs, in particular medicinal plants and herbs. Such products are a potentially valuable source of income and have a high intrinsic value to the rural population. NTFP harvesting is very price responsive, as harvesting is quick and relatively easy. With good market access, annual income from sale of NTFPs to export markets can be in the region of US$ 20,000-US$ 50,000 per commune (based on the AFP, export data gathered in the NTFP study). However, due to limited market access, current actual earnings are between US$ 2,500 - 5,000 per commune per year (an average of US$ 2,800 per commune per year, based on the AFP Poverty Study, where average income was calculated as LEK355 per household). The project will result in direct benefits from the increase in sustainable harvesting of NTFPs, providing a subsistence benefit of increased products for household use, and with some improvement in the market access (through collaboration with other projects such as the SNV work and the MADA project), there is a potential to increase the income from sale of NTFPs. The economic benefit will arise from an increase in yield for both subsistence use and increased income resulting from sales. The economic rate of return is based on an expected increase in yield of 10% of the current average value of US$ 2,800 per commune, with costs (predominantly labor) of 80% of the value of the increased yield.

For 30 communes, a pilot BioCarbon Fund project will be introduced. This will generate an income stream from the sale of Kyoto Protocol compliant carbon credits for the first 12 years US$ 14/hectare (or US$ 3/ton of CO2). Each of the 30 communes will have approximately 200 hectares (a total of 6700 hectares) where activities, such as supplementary planting, fencing, cleaning etc., will be undertaken specifically to generate carbon sequestration, at a cost of US$ 300/hectare. In the longer term carbon credits of this type may be saleable on the open market, generating longer term benefits to the national government and eventually to the local communities. Simultaneously, this pilot project will generate increased fuelwood, fodder and timber production, on the 200 hectares, computed in the same manner as previously described.

Rehabilitation of the forest and pasture communal lands, in components A1, A2 and B1 will result in positive downstream benefits through the reduced cost of downstream damage. The Government of Albania currently spends US$ 6-7 million per year on repair to damage caused by flooding, lost agricultural land and damage to rural housing and infrastructure. Rehabilitation of forest land and soil stabilization activities will result in a reduction in downstream damage and the associated cost of repair. The ERR is based on a pro rata allocation (based on the number of communes in each component), with Components A1 and A2 it is reasonable to expect a reduction of damage costs in the region of 25%. This is a key variable and as such has been subject to sensitivity analysis below. This downstream benefit is included, along with the direct benefits above in the computation of the ERR for Component A1.

The ERR for Component A1 is 21.25%, with an average annual net benefit of US$ 2.1 million representing an average annual net benefit of US$ 18,188 per commune and US$ 23/household. In addition to this economic gain, participating households in the implementation activities will receive cash payment for labor activities. This is reflective of the nature of the project where

investment costs are high and occur in the first 5 years, with the benefit stream for fodder and NTFPs from Year 2, but for fuelwood and timber from Years 10 and 25 respectively. The rate of return is sensitive to both the area of communal forest and pasture land rehabilitated and the extent to which downstream damage costs can be reduced. The impact of these two key factors on ERR are discussed in the sensitivity analysis below.

A2: Introducing participatory forest and pasture management, including the preparation and implementation of forest and pasture management plans in 73 communes that were not covered under the AFP.

The expected direct benefits are the same as for the 115 communes in A1. However, for these 73 new communes, plans have to be developed from the beginning prior to implementation and thus the expected benefit streams will occur from year 12 for fuelwood and year 27 for timber, due to the time required to develop and implement communal forest and pasture plans. Increased production of fodder is expected at an incremental rate of $1m^3$/ha/year (as based on the experience of the AFP), 50% of which is expected from Year 3 of the project and 100% from Year 4 onwards. Fuelwood is expected to increase by $3m^3$/ha/year, (current levels of harvest are negligible), from Year 12 and timber by $2m^3$/ha/year from Year 27 (based on AFP experience). The increases in yield are valued at the same prices as for Component A1.

For these 73 communes, although conditions are more suitable for an increase in NTFP production than in the 115 communes supported under A1, the area of pasture is slightly smaller, thus the overall potential for NTFP production mirrors that in the 115 communes in Component A1. Current income levels are on average US$ 2,800 per commune per year, and the project will result in a 10% increase in yield with a corresponding 10% increase in revenue from the third year of the project. Again the costs of harvesting are taken as 80% of the revenue.

Downstream benefits will also arise, as with Component A1 and have been incorporated into the ERR. The ERR for A2 is 20%, with average annual net benefits of US$ 1.2 million, representing an average annual net benefit of US$ 16,540 per commune and US$ 21/household. This reflects the delay in the benefit stream, with benefits not realized until year 12 for fuelwood and year 27 for timber. As with A1 and shown in the sensitivity analysis, if the area of forest and pasture land rehabilitated is expanded the rate of return increases substantially.

A3: Strengthening governance for forest and pasture management

Component A.3 will strengthen governance for forest and pasture management through DGFP and DFS and will help prioritize and implement some actions in the National Strategy for the Development of Forests and Pasture. Such activities include introducing performance related budgeting, defining roles and responsibilities, the empowerment of staff, provision of technical equipment and training such as GIS, techniques for rural management of forest fires and for mitigating illegal logging activities. These activities are expected to achieve significant economic benefits and will provide essential support to Components A.1, A.2 and Component B, ensuring that the derived benefits from these components are maximized and are sustainable post project. Due to the nature of these interventions, only the positive benefits of the forest fire management activities can be estimated.

Enhancing forest fire management at the local level
Forest fires remain a significant threat to the sustainable natural resource use in Albania and result in a loss of agricultural and forest production and biodiversity. Building on the positive results and activities initiated under the AFP and in line with the recently approved National Forest Fire Management Strategy and Action Plan, the project will provide support for forest fire management and monitoring at the commune level. By introducing ways to monitor and manage fires locally, the project aims to reduce the number of fires that take hold within the project area and spread to other areas. The project is expected to reduce the incidence and costs of forest fires within the project areas through local empowerment to sustainably manage communal resources, resulting in positive economic benefit through a decrease in incidence and severity of forest fires. From the FAO fire analysis database, (2002), on average a total of 600 hectares of forest is damaged per year by fire, with the average annual cost of US$ 7500/ha. The total cost per year for Albania is estimated as US$ 4.5 million. The project will cover approximately 48% of the forest and pasture land of Albania, thus the annual cost that can be attributed to the project area is US$ 2.1 million. With a conservative reduction in the extent and severity of forest fires of, for example, 5%, the associated saving due to a reduction in the damage generates an ERR of 33% on the project investments.

Reduction in the scale and scope of illegal logging
Albania has already experienced significant losses of large tracts of valuable and high biodiversity forest landscape to illegal logging. While there are signs that illegal logging may have decreased since the upheavals of the late 1990s, this form of forest crime continues to constitute a major cause of lost revenues, degradation of the resource base and damage to infrastructure caused by erosion landslides and flooding. All components of the project will work towards reducing the incidence and extent of illegal logging in Albania. Through a multi-sectoral approach, addressing the institutional framework, governance, monitoring and enforcement, while simultaneously working to address the root causes, the project is expected to achieve significant positive economic benefits by reducing illegal logging. These activities will work in parallel to the holistic approach to watershed management in Component B and the continuation of forest and pasture management planning and implementation, which will provide an alternative source of fuelwood to State forests and create an element of ownership and awareness towards sustainable management of communal and state resources. As these benefits are not currently quantifiable they have not been included in the quantitative economic analysis.

Increase in the value of the forest assets

Direct benefits are based on the incremental increase in value resulting from project interventions realized by the local communes and households. Current levels of resource extraction, coupled with unsustainable management practices, degradation of the land due to overgrazing and lack of pasture management integrated with forest management, has resulted in a low value of local resources and thus of communal forest and pasture land. Through the project interventions, the intrinsic value of the land to communes will increase – both directly through increased production of resources but also indirectly from soil stabilization, improved soil productivity, reduced erosion and sedimentation of water courses. Overall the project will result in an increase in the standing value of the timber and thus increase the intrinsic value of

the communal forest and pasture land. This will become increasingly significant if the ownership of land transfer becomes feasible in the longer term.

Component B: Improved Management and Governance of Watersheds

Pilot micro-catchment plans will be developed and implemented in 30 communes covering the communal forest and pasture management plans (as with components A1 and A2) coupled with wider, more holistic management plans to include the management of natural resources for the micro-catchment as a whole. This will generate significant economic benefits due to increased yields from agricultural production resulting in improved food security and subsistence use of forest and agriculture products, and income-generation from the sale of agricultural and forest products. The ERR for Component B, is 45.8%. This results in an average annual net benefit of US$ 1.7 million, representing an average annual net benefit of US$ 56,163 per commune and US$ 70/household.

Agriculture-related benefits

30 MC plans will be implemented with the aim to rehabilitate and improve the environmental functions of the micro-catchment and simultaneously enhance productivity and the potential for income generation. On average there are 800 households per commune, with average agricultural land per household of 0.75 hectares. This is lower than the national average, but reflective of the conditions in the upper and mountainous areas where the project is working, based on research undertaken by SNV, FAO and MADA. From 0.75 hectares of agricultural land, an average household currently earns an annual income of US$ 1,000[11] from a range of agricultural activities including vegetables, fruit tree production, and livestock. This annual income includes both subsistence produce and income from the local sale of agricultural products. The NRDP will be working to improve the productivity of agricultural lands through improved seeds, root stock for fruit trees and farming techniques, and will introduce fruit trees, legumes, etc as a means to stabilize the land. This will result in an increase in yield, which will lead to an increase in the value of the agricultural products and resources at the commune and household level. The Anatolia watershed project in Turkey saw increases in agricultural income of 50% in some circumstances. Given the conditions in Albania it is not expected that such increases will be realized. However, a conservative increase in yield of 5% is realistic.

Forest and pasture related benefits

The increase in fuelwood, timber and fodder production is quantified in the same manner as with Component A. The benefit streams are based on 660 hectares of land rehabilitated, generating increased production of fuelwood of $3m^3$ per hectare from year 12, increase in fodder production of $1m^3$/ton affecting 50% of all areas in Year 3 and 100% from year 4 and timber production of $2m^3$/ha from year 27. Prices remain as for Component A.

Downstream benefits

[11] Source: Baseline Study for the MADA Program Area, Mountain Areas Development Agency, Monitoring and Evaluation Program, Republic of Albania, prepared by a consortium led by A.C.E.R, 200. This states that US $1000 per hectare is slightly lower than the norm, but given that the upland areas where the project is working have lower agricultural productivity rates, this is deemed to be realistic.

Rehabilitation of the forest and pasture communal lands, state forest land and improved agricultural land management (resulting in improved soil stabilization) will result in positive downstream benefits through the reduced cost of downstream damage. The Government of Albania currently spends US$ 6-7 million per year on repair to damage caused by flooding, lost agricultural land and damage to rural housing and infrastructure. Rehabilitation of forest land and soil stabilization activities will result in a reduction in downstream damage and the associated cost. Due to the holistic approach of MC planning, and the inclusion of the rehabilitation of state forest lands, in addition to the communal forest and pasture land management, the benefit deriving from Component B is higher than for Component A, and is expected to be a 30% reduction in the cost of repairing downstream damage.

The rehabilitation of areas of State forest that fall within each MC may involve supplementary planting and protection of the forest areas. Benefits arising from this activity are predominantly soil and land stabilization, erosion control and biodiversity protection.

Indirect qualitative benefits

In addition to the quantifiable benefits the project will have significant qualitative benefits. The project global environmental objective is to reverse severe degradation of upland and mountainous erosion-prone lands, and sediment runoff to the Adriatic Sea, through rehabilitating and sustainably managing natural resources, including globally significant biodiversity. Qualitative benefits include: biodiversity protection and enhancement, regeneration and recovery of natural vegetation, stabilization of land resulting in less soil erosion and sedimentation of water courses, a reduced risk of landslides; resource rehabilitation in both communal and state forest land, improved productivity of agricultural soil.

Sensitivity Analysis

Sensitivity analysis assessed the potential risks to the project achieving a positive and significant rate of return, in particular it identified at which point the project become economically unviable in terms of Economic Rate of Return and NPV.

The key factors affecting the rate of return are:

- The area of forest and pasture land rehabilitated in each commune (Components A1, A2 and B1) and
- The impact on downstream benefits (percentage reduction in annual costs).

The baseline case for the economic analysis uses a modest estimate of downstream benefits of 25-30%, with direct impact on 660 ha of forest and pasture land per commune. If downstream benefits are only 12-15% and the area of rehabilitated land is only 120ha, the overall project ERR is 14%, with a low but positive NPV. However, if downstream costs are reduced by approximately 50% and 1000ha of communal forest and pasture land is rehabilitated (50% of land), the project ERR is 31.6%, with a NPV of US$ 26.6 million. The potential impacts of the number of hectares and percentage reduction in damage costs are shown in the matrix below.

Table 1: Sensitivity analysis matrix

Sensitivity Analysis - Matrix Impacts: The impact of hectares rehabilitated and downstream benefits

		Hectares rehabilitated									
		660 ha		1,000 ha		2,000 ha		300 ha		120 ha	
Downstream bens		ERR (%)	NPV ($m)	ERR (%)	NPV ($m)	ERR (%)	NPV ($m)	ERR (%)	NPV ($m)	ERR (%)	NPV ($m)
A = 25%, B = 30%	**Total**	**21.2%**	**12.7**	22.5%	15.6	25.6%	24.2	19.8%	9.6	18.9%	8.0
Baseline	**A 1**	**21.3%**	**4.9**	23.4%	6.6	28.2%	11.6	18.8%	3.1	17.3%	2.2
	A 2	**20.0%**	**2.5**	22.0%	3.3	26.0%	5.9	18.0%	1.6	17.0%	1.1
	B	**45.8%**	**7.8**	46.0%	8.1	47.0%	9.2	45.4%	7.4	45.0%	7.2
A = 50%, B = 60%	**Total**	30.7%	23.7	31.6%	26.6	**34.3%**	**35.3**	29.6%	20.6	29.0%	19.0
	A 1	34.8%	10.6	36.3%	12.2	**40.7%**	**17.3**	32.9%	8.7	32.0%	7.8
	A 2	37.0%	6.1	38.0%	6.9	**42.0%**	**9.5**	36.0%	5.2	35.0%	4.7
	B	54.0%	9.5	54.6%	9.9	**55.5%**	**10.9**	53.9%	9.2	53.7%	8.9
A = 12%, B = 15%	**Total**	16.8%	7.0	18.2%	9.9	21.6%	18.5	15.0%	3.9	14.0%	2.4
	A 1	15.4%	2.0	17.6%	3.7	22.8%	8.7	12.3%	0.1	10.3%	-0.7
	A 2	14.0%	0.6	16.0%	1.5	20.0%	4.0	11.0%	-0.3	9.0%	-0.7
	B	41.6%	6.9	42.0%	7.2	43.1%	8.3	41.0%	6.5	40.0%	6.3

Notes:
A = Components A1 and A2 create downstream benefits of X %
B = Component B creates a downstream benefit of X %

The key factors affecting the ERR for Component B are the number of households which have agricultural land that is improved and the percentage increase in agricultural yield. The impact on the ERR and NPV of changes, from the baseline used, are presented in the following two tables.

Table 2: Impact of changes in the percentage increase in yield

Increase in yield (%)	*Total Project ERR*	*Total Project NPV (US$ m)*	*Comp. B ERR*	*Comp. B NPV (US$ m)*
5% - Baseline	21.2%	12.7	45.8	7.8
2.5%	18.0%	8.6	26.6	3.6
10%	28.2%	21.0	84.7	16.0
15%	35.7%	29.2	120.6	24.3

The potential benefits from improving agricultural yield are substantial. Projects such as the Anatolia Watershed project in Turkey, experienced up to 50% increases in yield. In comparison, for the ERR of the project to fall significantly, the project would be reaching less than 20% of households in the commune as shown in Table 3.

Table 3: Impact of changes in the number of households with agricultural land

Number of Households	*Total Project ERR*	*Total Project NPV (US$ m)*	*Comp. B ERR*	*Comp. B NPV (US$ m)*
100% - Baseline	21.2%	12.7	45.8	7.8
80%	19.9	11.0	37.9	6.1
60%	18.6	9.4	30.3	4.5
40%	17.4	7.7	23.0	2.8
20%	16.1	6.1	16.2	1.2

2. Fiscal Impact

Due to the nature of the project (the objective of which is to generate economic benefits for various sections of the rural population, through land stabilization and resource rehabilitation activities) financial/fiscal revenues are not explicit outputs, therefore only a fiscal assessment was undertaken.

The Ministry of Agriculture has confirmed that the necessary Government counterpart contribution is consistent with the available fiscal envelope. Counterpart funding commitments have been made to cover a total of US$ 2.2 million (approximately 11%) of project costs plus VAT on project purchases and that the necessary provisions have been made in the budget. This amounts to US$ 440,000 per year (excluding the VAT contribution) which represents around 4% of the current annual budgetary allocation (US$ 11 million) to the sector in 2005.

Post project ongoing incremental operating costs are marginal, since communities will be responsible for maintenance of natural resource assets and the efficiency gains associated with investments in sustainable resource management by Government will not require additional funding.

Reduced erosion will lead to reduced expenditure on flood damage to infrastructure, currently estimated at US$ 6-7 million per year, leading to fiscal savings. Increased incomes from improved natural resource assets will reduce the need for social benefit payments and should eventually lead to increased tax revenues. Divestiture of responsibility for much of forest management to local communities will reduce budget outlays for forest management, while the institutional reforms supported should improve the cost-effectiveness of remaining state forest management functions.

The annual fiscal impact of the project is expected to be as follows: during CY05 around 0.0051% of GDP, CY06 0.0047% of GDP, CY07 0.0043% of GDP, and CY08 and CY09 and onwards around 0.004% of GDP.

Annex 10: Safeguard Policy Issues

ALBANIA: NATURAL RESOURCE DEVELOPMENT PROJ.

A draft Environmental Assessment (EA) - including an Environmental Management Framework (EMF) which will be included in the Project Implementation Manual – was prepared between November 2004 and January 2005, and a draft Social Assessment (SA) was prepared between December 2004 and January 2005.

The EA considered the relevance of the safeguards on natural habitats, pest management, forests, safety of dams, and international waters, and the SA assessed the applicability of safeguard policies on indigenous peoples, cultural property, involuntary resettlement, and projects in disputed areas.

Environmental Assessment (OP 4.01, BP 4.01, GP 4.01)

OP 4.01 has been triggered and the project has been rated Category B, requiring a partial EA. The potential impacts arising from the project will be addressed through implementation of the environmental management framework (EMF).

Natural Habitats (OP 4.04, BP 4.04, GP 4.04)

OP 4.04 is not triggered since the project is aimed at reversing land degradation in upland areas and is focused largely on the regeneration and sustainable management of natural and semi-natural habitats. Overall, it is likely to have a significant positive impact on natural habitats, through the participatory natural resources management that is the central focus of the project. Any specific localized risks (e.g. resulting from changing grazing patterns) will be avoided or mitigated through the application of the EMF, and the project will be carefully managed to ensure it meets its aims of the reversal of degradation in upland areas. The EMF will also pay particular regard to areas of natural habitats with high biodiversity value, providing additional guidance to communities for sustainable management of these areas.

Forestry (OP4.36, GP 4.36)

The project is consistent with OP 4.36. Specifically, it assists Albania to harness the potential of forests to reduce poverty in a sustainable manner, integrate forests effectively into sustainable economic development, and protect the vital local and global environmental services and values of forests, by supporting community based approaches to forest, pasture and watershed management. The potential forestry related environmental impacts such as introduction of invasive species, reforestation of critical non-forest habitats and alterations to hydrological regimes are addressed by the EA and/or will be addressed through implementation of the EMF.

Pest Management (OP 4.09)

OP 4.09 is not triggered because the project will not finance the purchase of pesticides, and will not lead to substantially increased pesticide use and subsequent environmental problems. Support for agricultural intensification through provision of seed and fruit trees will be limited to 5-10 ha (or less) in each of the 30 micro-catchments, distributed in three of Albania's major watersheds,

that are supported in component B. In the event that MC planning will be scaled up by Government, approaches to Integrated Pest Management would be promoted by Government extension services as necessary.

Cultural Property (OPN 11.03)

OPN 11.03 is not triggered since the project will not be implemented in areas where there are cultural property sites, nor does it involve any large-scale construction, excavation or mechanical cultivation. As a safeguard, a provision to screen for existence of cultural property is included in the EMF, which will exclude from financing by the project any small-scale investment significantly damaging or endangering non-replicable cultural property.

Indigenous Peoples (OD 4.20)

In upland and mountainous areas of Albania, some rural communities have a distinct cultural identity as orthodox Christians of Greek or Serbian origin, which is distinct from the muslim Albanian majority. However, consideration of these communities during the social assessment confirms that their distinct cultural identity does not influence their vulnerability, and so this safeguard is not triggered.

Involuntary Resettlement (OP4.12, BP 4.12)

Issues of dependency on forests and rangelands, and arrangements for securing more equitable access to planning and to project benefits are addressed in the planning process and in the Project Implementation Manual. O.P. 4.12 on involuntary resettlement is triggered when restrictions are imposed by authorities and communities have little or no discretionary power to make land use decisions. However, the social assessment confirmed that while, according to Albanian law, land owners and users can not make land use changes without governmental permission, in practice villages exercise full autonomy in land use decisions on communal areas. More importantly, in the case of this proposed project, both project design and implementation arrangements as specified in the Project Implementation Manual ensure that decisions about rights of access to land and livelihood affected by the project will be made at the level of the community in villages and up to commune levels, rather than by governmental officials. As stated above, transparent and effective mechanisms to ensure broad consultation and participation into the decision-making process are built into the project's management plans for both components A and B.

Safety of Dams (OP 4.37, BP 4.37)

The safeguard on dam safety is not triggered since the project does not involve the construction or rehabilitation of any large dams (i.e. over 15 m) or high hazard dam. While the project may support some works to establish small silt retention dams in the upper watersheds, these are unlikely to involve the construction of retention structures in excess of 1m in height. Moreover, all such works would be supervised by District Forestry Officers, who are fully qualified to design and oversee the construction of silt retention dams up to 6m in height.

Projects in International Waters (OP 7.50, BP 7.50, GP 7.50)

Albania has two international rivers, the Vjose and the Drini, and international lakes that include the Ohrid and Prespa. Although the project may touch on some of these, OP 7.50 is not triggered since the project would only support small-scale rehabilitation and improvement of existing schemes, such as repairs to canal lining, re-sectioning, replacement of non-functioning gates and pumps etc. The relative size and significance of works is very small and will not change the overall extraction of water or command area. All small-scale investments would be subject to the Bank's prior review under the aforementioned Water Resources Management project, and careful attention will be paid to ensure this point.

Projects in Disputed Areas (OP 7.60, BP 7.60, GP 7.60)

This safeguard is not triggered since project activities are not envisaged to take place within any disputed areas.

Annex 11: Project Preparation and Supervision

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	Planned	Actual
PCN review		12/19/2003
Initial PID to PIC		02/09/2004
Initial ISDS to PIC		03/09/2004
Appraisal		March 1-9, 2005
Negotiations		March 23-24, 2005
Board/RVP approval	June 9, 2005	
Planned date of effectiveness	October 1, 2005	
Planned date of mid-term review	April 1, 2008	
Planned closing date	October 1, 2010	

Key institutions responsible for preparation of the project:

Ministry of Agriculture and Food.

Bank staff and consultants who worked on the project included:

Name	Title	Unit
John Fraser Stewart	Senior Biodiversity Specialist	ECSSD
Elmas Arisoy	Senior Procurement Specialist	ECSPS
Belita Korreshi	Procurement Assistant	
Olav Rex Christensen	Senior Financial Mangement Specialist	ECSPS
Edward Daoud	Senior Finance Officer	LOAG1
Kirsten Propst	Country Lawyer	LEGEC
Carine Clert	Senior Social Development Specialist	ECSSD
Drita Dade	Project Officer	ECSSD
Ibrahim Hackaj	Project Officer	ECSSD
Andre Aasrud	Operations Analyst	OPCDM
Andrew Mitchell	Consultant, Forest Specialist	-
Serguei Milenin	Consultant, Natural Resources Management Specialist	ECSSD
Marie Lecocq	Forest Specialist	ECSSD
Nedret Durutan	Consultant, Rural Development and Watershed Management Specialist	-
Harold Lemel	Consultant, Social Scientist and Land Tenure Specialist	-

Bank funds expended as of February 2, 2005 on project preparation:

1. Bank resources: US$ 167,000
2. Trust funds: US$ 185,000
3. Total: US$ 352,000

Estimated Approval and Supervision costs:

1. Remaining costs to approval: US$ 95,000
2. Estimated annual supervision cost: US$ 100,000 / year

Annex 12: Documents in the Project File

ALBANIA: NATURAL RESOURCE DEVELOPMENT PROJ.

A. Project Implementation Manual (PIM)

PIM main text:

1. Introduction
2. Implementation arrangements
3. Reporting, supervision, and monitoring and evaluation
4. Implementation schedules
5. Procurement
6. Financial management
7. Operations
8. Environmental Management Framework

PIM Annexes:

1. Detailed project description
2. Cost tables
3. Terms of reference for each position described in the implementation arrangements
4. Detailed workplans and budgets by sub-component
5. Terms of reference for consulting assignments
6. Procurement arrangements and procurement plan
7. Specifications for good to be procured
8. Financial management arrangements
9. Details of the processes used to select communes and micro-catchments
10. Lists of the communes and micro-catchments selected
11. Processes for planning of communal forest and pasture management plans and micro-catchment plans
12. Unit costs for forest, pasture and micro-catchment management
13. Menu of interventions
14. Tables for use in preparing micro-catchment plans
15. Minutes of workshops conducted during preparation
16. Lessons learned paper, prepared during preparation

B. Bank Staff Assessments

1. Albania Poverty Assessment, 2003
2. Albania Rural Development Strategy – Underpinning Growth and Sustainable Development, World Bank, 2002
3. Country Assistance Strategy, 2002
4. Albania – Growing out of Poverty, 1997
5. Poverty in Albania – A Qualitative Assessment, 2002
6. Poverty Reduction Strategy Paper, 2002
7. Implementation completion report of the Albania Forestry Project, 2004
8. Report on the Assessment of the Capacity of the Implementing Agency to Conduct Procurement under the Natural Resources Development Project, March 2005

C. Albanian strategies and policies

General:

1. National Strategy on Socio-Economic Development, GoA, 2002
2. Albanian Agriculture Towards EU Integration, 2005
3. National Environmental Action Plan for the Republic of Albabia, Ministry of Environment, 1993 and 2002 (updated and approved)
4. Biodiversity Strategy and Action Plan, Republic of Albania, Ministry of Environment, 2000

Development of the forests and pastures sector:

1. Miratimin e Strategjise Kombatare Te Zhvillimit dhe te Reformes Institucionale ne Sektorin e Pyjeve dhe te Kullotave new Republiken e Shqiperise, Ministri I Bujqesise dhe I Ushqimit, 2004
2. The Strategy for the Development of the Forestry and Pastures Sector in Albania, including annexes (English translation)
3. Draft Law on the Forests and Albanian Forest Service (English translation)

D. Background studies prepared during the Albania Forestry Project:

1. Land and Natural Resource Law in Albania, Agrotec SpA, 2002
2. Report on the Development of a National Forest Fire Management Strategy and Action Plan for Albania, FAO, 2001
3. Evaluation of communal forests and pastures management programme, DGFP, 2001 (ECO-Consult GbR), including annexes
4. Illegal logging independent study, Albanian Center for Economic Research, 2001
5. Review of Land and Resource Tenure Issues in Albania: Current Directions and Emerging Challenges, H. Lemel, undated
6. Enhancing Natural Resource Management through Participatory Local Involvement, H. Lemel, undated

Reports of the Albanian National Forest Inventory:

1. Report on national forest inventory monitoring, Agrotec SpA, 2003
2. Erosion risk evaluation in the republic of Albania, Thimaq Lako, 2003
3. Special study on grazing impact on wooded lands, including fuelwood consumption assessment
4. Social and economic relevance of NTFPs
5. Interpretation of remote sensing for land cover / use mapping
6. Analysis of the spatio-temporal and semantic aspects of land cover/use dynamics

FAO reports:

1. Strategy for Agricultural Development, 1998
2. Report on consultancy on integrated forest management, 1999
3. Legal report – Analysis and recommendations on the Albanian Forestry Legislation, 2003
4. Forest and Pasture Resource Management in Albania – Criteria and indicators, undated
5. Economic and financial assessment of the forests and pastures sector, 2003

6. Effects of the Albanian Forestry Project on Poverty Reduction, 2002

E. Background reports prepared during NRDP preparation

1. Environmental Assessment of the NRDP
2. Social Assessment of the NRDP
3. Compilation of reports. findings and proposals on land tenure and organizational issues, H. Lemel, 2005
4. Report to update previous review of land tenure issues, including annexes, H. Lemel, 2005
5. Desk study – Albania Forest Sector Development Strategy, Henry Phillips, 2004
6. Inception Report of the Public Awareness Consultant - Methodology and Working Plan for the Delivery of Communication-Awareness Campaign, 2005

Reports concerning carbon sequestration:

1. Preparation of A Carbon Finance Document for the Afforestation and Reforestation of Degraded lands - Pilot Project, Henry Phillips, 2005
2. Carbon Finance Document submitted to BioCarbon Fund, 2005

F. Reports referred to during the environmental assessment of the NRDP

1. Compendium of Environment Legislation, Republic of Albania, Ministry of Environment, March 2004
2. Albanian Watershed Assessment Project, US Department of Agriculture (USDA), May 2003
3. Environmental Diagnosis of Coastal Zone, Republic of Albania, UNEP/Map, Ministry of Environment, April 2004
4. Environmental Performance Review, Albania, United Nations Development Programme, 2002
5. State of Environment Report, Republic of Albania, Ministry of Environment, 2000 – 2002
6. Albanian Forestry Project, World Bank 1996 – 2003
7. National Assessment Report for the World Summit on the Sustainable Development, Johannesburg, Ministry of Environment, 2002
8. The Handbook on the Implementation of EC Environmental Legislation, European Commission 2003
9. Environmental and Social Management Framework for World Bank Projects with Multiple Small-Scale Subprojects: A Toolkit, World Bank, 2004
10. Final Country Report, Albania (Strategic Environmental Analysis), Regional Environment Center for Central & Eastern Europe (REC), June 2000

G. Other

1. Communal Forestry and Pasture Management Project Final Report, plus case studies, workshop report and needs assessment questionnaires, SNV, 2003
2. Fiduciary management for community-driven development projects, a reference guide, World Bank, 2002

H. Partners strategies and plans

1. Strategy for Sweden’s Development Cooperation with Albania, 2004-7

Annex 13: Statement of Loans and Credits

ALBANIA: NATURAL RESOURCE DEVELOPMENT PROJ.

			Original Amount in US$ Millions						Difference between expected and actual disbursements	
Project ID	FY	Purpose	IBRD	IDA	SF	GEF	Cancel.	Undisb.	Orig.	Frm. Rev'd
P077526	2004	POWER SECTOR GENER & RESTRCT'G	0.00	25.00	0.00	0.00	0.00	24.53	0.63	0.00
P082128	2004	WATER RES MGMT	0.00	15.00	0.00	0.00	0.00	14.93	0.00	0.00
P041442	2003	MUN WATER/WW	0.00	15.00	0.00	0.00	0.00	15.23	1.77	0.00
P077297	2003	COM WRKS 2	0.00	15.00	0.00	0.00	0.00	15.01	0.21	0.00
P069479	2002	FISHERY DEVT	0.00	5.60	0.00	0.00	0.00	4.27	0.65	0.00
P074905	2002	PWR SECT REHAB/RESTRCT'G	0.00	29.90	0.00	0.00	0.00	30.41	13.51	0.00
P066260	2002	ROAD MAINT	0.00	17.00	0.00	0.00	0.00	22.31	-3.71	-1.61
P057818	2002	FSAC	0.00	15.00	0.00	0.00	0.00	8.82	-0.44	0.00
P070078	2001	TRADE & TRANS FACIL IN SE EUR	0.00	8.10	0.00	0.00	0.00	0.97	3.06	0.00
P055383	2001	SOC SERV DEVT	0.00	10.00	0.00	0.00	0.00	10.68	-0.76	0.00
P054736	2001	AG SERVICES	0.00	9.90	0.00	0.00	0.00	6.98	1.51	0.00
P069939	2000	PUB ADM REF	0.00	8.50	0.00	0.00	0.00	6.39	8.67	0.90
P069120	2000	EDUC REF	0.00	12.00	0.00	0.00	0.00	2.38	1.62	0.00
P069079	2000	FIN SEC IBTA	0.00	6.50	0.00	0.00	0.00	1.56	1.33	0.00
P057182	2000	LEG/JUD REF	0.00	9.00	0.00	0.00	0.00	4.96	4.51	4.51
P043178	1999	IRRIG & DRAIN 2	0.00	24.00	0.00	0.00	0.00	0.34	0.63	0.00
P051310	1999	MICROCREDIT	0.00	12.00	0.00	0.00	0.00	0.57	-0.00	0.89
P045312	1998	HEALTH RECOVERY	0.00	17.00	0.00	0.00	4.03	7.58	10.74	0.59
P040818	1998	DURRES PORT	0.00	16.99	0.00	0.00	0.00	0.64	0.76	0.83
P040975	1998	LAND DEVT	0.00	10.00	0.00	0.00	0.00	0.97	0.54	0.39
		Total:	0.00	281.49	0.00	0.00	4.03	179.53	45.23	6.50

ALBANIA
STATEMENT OF IFC's
Held and Disbursed Portfolio
In Millions of US Dollars

		Committed				Disbursed			
		IFC				IFC			
FY Approval	Company	Loan	Equity	Quasi	Partic.	Loan	Equity	Quasi	Partic.
1998	AAP	0.00	14.14	0.00	0.00	0.00	0.00	0.00	0.00
2002	INSIG	0.00	6.23	0.00	0.00	0.00	6.22	0.00	0.00
2000	NCBank	0.00	2.00	0.00	0.00	0.00	2.00	0.00	0.00
1999	SEF Eurotech	0.40	0.00	0.00	0.00	0.40	0.00	0.00	0.00
1999	SEF FEFAD Bank	0.00	0.98	0.00	0.00	0.00	0.98	0.00	0.00
2003	Vodafone Albania	42.36	0.00	0.00	9.08	29.90	0.00	0.00	6.41
	Total portfilio:	42.76	23.35	0.00	9.08	30.30	9.20	0.00	6.41

		Approvals Pending Commitment			
FY Approval	Company	Loan	Equity	Quasi	Partic.
2005	Fushe Kruje	0.03	0.00	0.00	0.00
1998	Patos Marinza	0.03	0.00	0.00	0.05
2001	Patos Marinza In	0.01	0.00	0.00	0.00
2002	Savings Bank	0.00	0.02	0.00	0.00
	Total pending committment:	0.07	0.02	0.00	0.05

Annex 14: Country at a Glance

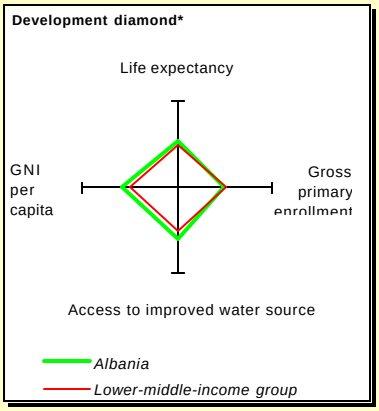
ALBANIA: NATURAL RESOURCE DEVELOPMENT PROJ.

Technical notes

Albania at a glance

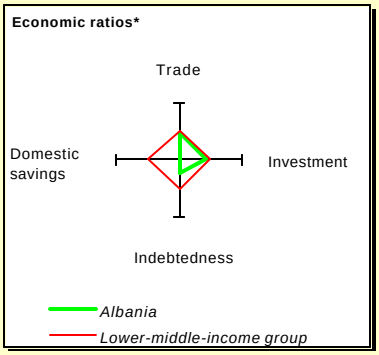
9/15/04

POVERTY and SOCIAL	Albania	Europe & Central Asia	Lower-middle-income
2003			
Population, mid-year *(millions)*	3.2	473	2.655
GNI per capita *(Atlas method, US$)*	1.740	2.570	1.480
GNI *(Atlas method, US$ billions)*	5.5	1.217	3.934
Average annual growth, 1997-03			
Population *(%)*	0.3	0.0	0.9
Labor force *(%)*	0.8	0.2	1.2
Most recent estimate (latest year available, 1997-03)			
Poverty *(% of population below national poverty line)*	25	..	..
Urban population *(% of total population)*	44	63	50
Life expectancy at birth *(years)*	74	69	69
Infant mortality *(per 1,000 live births)*	22	31	32
Child malnutrition *(% of children under 5)*	14	..	11
Access to an improved water source *(% of population)*	97	91	81
Illiteracy *(% of population age 15+)*	1	3	10
Gross primary enrollment *(% of school-age population)*	107	103	112
Male	107	104	113
Female	107	102	111

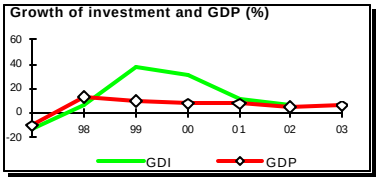


KEY ECONOMIC RATIOS and LONG-TERM TRENDS	1983	1993	2002	2003
GDP *(US$ billions)*	..	1.2	4.8	6.1
Gross domestic investment/GDP	36.1	13.2	22.7	..
Exports of goods and services/GDP	18.2	15.4	18.9	..
Gross domestic savings/GDP	33.5	-33.7	-1.4	..
Gross national savings/GDP	..	10.6	14.2	..
Current account balance/GDP	..	1.2	-8.4	..
Interest payments/GDP	..	0.2	0.4	0.2
Total debt/GDP	..	64.0	27.2	25.4
Total debt service/exports	0.0	1.0	3.4	..
Present value of debt/GDP	..	..	18.0	..
Present value of debt/exports	..	..	51.5	..

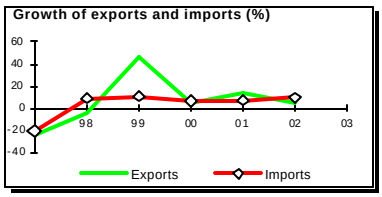
	1983-93	1993-03	2002	2003	2003-07
(average annual growth)					
GDP	-3.3	6.1	4.7	6.0	..
GDP per capita	-4.8	6.5	4.1	5.4	..
Exports of goods and services	..	6.6	5.5	..	..



STRUCTURE of the ECONOMY	1983	1993	2002	2003
(% of GDP)				
Agriculture	34.1	54.6	25.3	..
Industry	43.3	22.9	18.9	..
Manufacturing	..	..	..	..
Services	22.6	22.5	55.7	..
Private consumption	57.8	119.5	93.0	..
General government consumption	8.8	14.1	8.4	..
Imports of goods and services	20.8	62.3	43.1	..



	1983-93	1993-03	2002	2003
(average annual growth)				
Agriculture	1.2	2.2	2.3	..
Industry	-8.3	9.7	2.2	..
Manufacturing	..	8.7	0.3	..
Services	-4.1	7.0	6.6	..
Private consumption	..	4.9	5.5	..
General government consumption	..	5.5	9.7	..
Gross domestic investment	2.0	12.3	6.1	..
Imports of goods and services	..	5.6	9.8	..



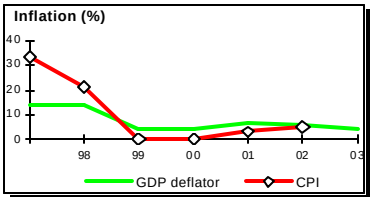
Note: 2003 data are preliminary estimates.

This table was produced from the Development Economics central database.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

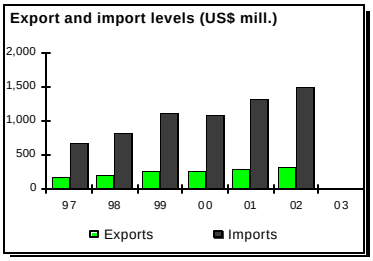
PRICES and GOVERNMENT FINANCE

	1983	1993	2002	2003
Domestic prices				
(% change)				
Consumer prices	..	85.0	5.2	..
Implicit GDP deflator	0.0	114.8	6.0	3.9
Government finance				
(% of GDP, includes current grants)				
Current revenue	50.0	28.5	22.7	..
Current budget balance	24.7	0.0	-0.1	..
Overall surplus/deficit	..	-8.7	-6.3	..



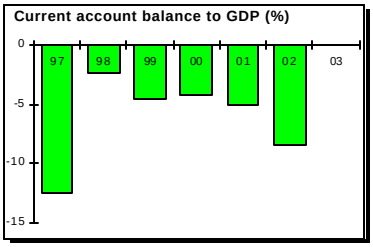
TRADE

	1983	1993	2002	2003
(US$ millions)				
Total exports (fob)	342	112	330	..
Agriculture	..	20	40	..
Mineral products	..	18	9	..
Manufactures	..	1	206	..
Total imports (cif)	384	602	1,485	..
Food	..	120	286	..
Fuel and energy	..	85	206	..
Capital goods	..	193	672	..
Export price index *(1995=100)*	..	..	..	..
Import price index *(1995=100)*	..	..	..	..
Terms of trade *(1995=100)*	..	..	..	..



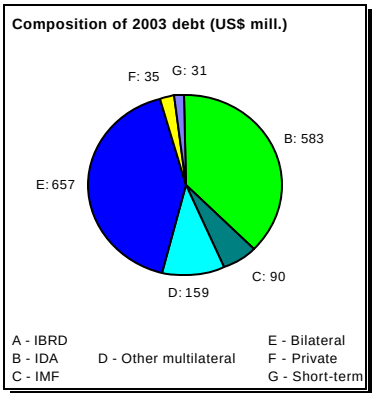
BALANCE of PAYMENTS

	1983	1993	2002	2003
(US$ millions)				
Exports of goods and services	354	189	915	..
Imports of goods and services	405	763	2.076	..
Resource balance	-51	-574	-1.160	..
Net income	7	34	128	..
Net current transfers	6	555	625	..
Current account balance	-38	15	-408	..
Financing items (net)	-3	34	443	..
Changes in net reserves	41	-49	-36	..
Memo:				
Reserves including gold *(US$ millions)*	..	..	866	..
Conversion rate *(DEC, local/US$)*	..	102.1	140.2	121.9



EXTERNAL DEBT and RESOURCE FLOWS

	1983	1993	2002	2003
(US$ millions)				
Total debt outstanding and disbursed	..	786	1.313	1.555
IBRD	..	0	0	0
IDA	..	28	476	583
Total debt service	..	8	58	52
IBRD	..	0	0	0
IDA	..	0	3	5
Composition of net resource flows				
Official grants	..	183	105	..
Official creditors	..	61	131	120
Private creditors	..	11	1	-3
Foreign direct investment	..	58	135	..
Portfolio equity	..	0	0	..
World Bank program				
Commitments	..	70	88	61
Disbursements	..	26	79	61
Principal repayments	..	0	0	1
Net flows	..	26	79	60
Interest payments	..	0	3	4
Net transfers	..	26	76	56



Note: This table was produced from the Development Economics central database. 9/15/04

Annex 15: Incremental Cost Analysis

ALBANIA: NATURAL RESOURCE DEVELOPMENT PROJ.

The proposed GEF co-financed Albania Natural Resources Development Project (NRDP) would establish or maintain sustainable, community-based natural resource management in about 218 communes in the upland and mountainous erosion-prone lands. This would lead to enhanced productivity and incomes derived from sustainable resource management, reduced soil degradation, improved water management, conservation of biodiversity and strengthened public sector management of these resources. The project would help reverse severe degradation of upland and mountainous erosion-prone lands, and sediment runoff to the Adriatic Sea, through the rehabilitation and improved management of natural resources, including biodiversity, and mainstreaming of sustainable ecosystem management in forestry, pasture, and agricultural operations.

The scope of analysis of the baseline and the GEF alternative covers the timeframe of the proposed project (5 years).

Baseline Scenario

In accordance with the operative National Forest and Pasture Strategy, National Environmental Action Plan, National Biodiversity Strategy and Action Plan, and the other relevant development programs, the Government of Albania (GoA) - through the Ministry of Agriculture and Food (MAF), Directorate General for Forest and Pastures (DGFP), Ministry of Environment (MoE) and other line agencies will address selected project objectives even in the absence of GEF assistance. Thus, GoA has recently initiated an extensive development effort addressing sustainable natural resource management in the rural areas of the country.

These activities would strengthen as well as scale up the community-based approach to forest and pasture management developed for 138 communes under the successfully completed IDA-financed Albania Forestry Project, to cover around 80 additional communes of the communes in Albania with significant forest cover, in the context of the continuing transfer of user-rights to additional communes and broader improved management and governance of forest and pasture resources. Additionally, these activities would support a multi-sectoral approach to resource management, addressing natural resource degradation at the level of micro-catchments in 30 communes in three out of the seven watersheds of Albania. Micro-catchment development would involve the integration of forest and pasture management, soil and water conservation, crop and livestock production in a mutually reinforcing manner. Resources to be engaged for that program represent *baseline* costs.

In addition to the budgetary funds, to finance the program GoA is mobilizing significant donor co-financing, which also includes IDA credit (US$ 7 mln) and Sida grant (about US$ 5.2 mln equivalent). Baseline activities and expenditures (estimated at US$ 14.40 mln in all) would include:

Improved Management and Governance of Forest and Pastures (Total baseline – US$ 8.84 mln): (1) *strengthening participatory forest and pasture management in 115 communes supported*

under the Albania Forestry Project – (i) updating existing forest and pasture management plans, including enhancing documentation of usufruct rights, (ii) implementing updated forest and pasture management plans and (iii) supporting assisted natural regeneration of degraded lands in the context of a Biocarbon Fund project; (2) *introducing participatory forest and pasture management in 73 new communes* – (i) preparing forest and pasture management plans, including documentation of usufruct rights, and (ii) implementing forest and pasture management plans; (3) *strengthening governance for forest and pasture management* – (i) training of General Directorate of Forests and Pastures (DGFP) and District Forest Service (DFS) in participatory provision of extension advice; (ii) building the capacity of existing and new Forest and Pasture User Associations (FPUAs) as well as the growing network of non-governmental FPUAs, (iii) supporting institutional reform and development within DGFP and DFS, (iv) building awareness of the new forest and pasture strategy within DGFP and DFS, (v) strengthening and improving the legal and regulatory framework for sustainable forest and pasture management, (vi) developing the forest and pasture registers, (vii) further developing the inter-sectoral action plan to address illegal logging, and implementing elements of the action plan in project areas and (viii) enhancing forest fire management at local levels.

Improved Management and Governance of Watersheds in 30 additional communes (Total baseline – US$ 3.55 mln): This component will introduce a multi-sectoral approach to planning and management of natural resources at the level of micro-catchments (MCs). This will include the integration of forest and pasture management with crop and livestock production, as well as soil and water conservation, in a mutually reinforcing manner. The project will pilot this approach at the level of MCs in 30 communes: (1) *introducing integrated resource management in micro-catchment (MC)* – (i) preparing forest and pasture and MC resources management plans, (iii) implementing MC management plans (investments in communal forest and pasture, state forests, agriculture and livestock); (2) *strengthening governance for watershed management* – (i) training of staff of the Regional Agricultural Directorates (within MAF), Drainage Boards, DFS, and communes at district, regional and national levels in provision of extension services in the context of the new integrated MC management approach, (ii) strengthening the Land Administration and Protection offices, and (iii) advising on legal developments regarding land administration and tenure.

Project Management and Monitoring (Total baseline – US$ 2.01 mln) - (i) incremental project management activities of the MAF, (ii) building public awareness of the benefits of sustainable natural resource management; (iii) project monitoring and evaluation; (iv) implementation of the project Environmental Management Framework; and (iv) carbon sequestration verification and monitoring.

Baseline activities will generate substantial domestic and global benefits from the improved natural resource management. However, the baseline would primarily focus on addressing rural poverty, and improving people livelihoods and economic well-being, through sustained and increased economic productivity of forests, pastures and agricultural lands. Under the baseline scenario the scope of the program would not be sufficient *to adequately catalyze widespread adoption of comprehensive ecosystem management interventions that integrate ecological, economic and social goals to achieve multiple and cross-cutting global benefits.* Costs and benefits under the baseline are summarized in the matrix below.

Proposed alternative

Under the alternative scenario, the GEF will finance incremental costs of expanding the baseline program to include those activities, which maximize global environmental benefits. These activities would be fully integrated into the baseline outlined above. The GEF *alternative* would add to the baseline program the following critical elements:

1. *Further strengthening the enabling environment and institutional capacity prevent ecosystem degradation* through mainstreaming of sustainable ecosystem management into the sector development priorities and the integrated land use planning (GEF cost – US$ 1.72 mln). This would include: (i) integration of sustainable ecosystem management and stakeholder-driven priorities in resource management plans - integrating ecological, economic and social goals - to facilitate coordinated resource mobilization and the successful implementation of priority activities; (ii) strengthening of participatory institutional mechanisms and capacities for integrated ecosystem management planning and implementation at the local and national levels and across sectors; (iii) development of appropriate regulations and incentive structures, including the improved land tenure system to encourage efficient and sustainable land management; and (iv) dissemination and replication of good ecosystem management practices and lessons learned.

2. *On-the-ground investments to preserve and restore ecosystems stability, critical functions, and services* through sustainable land management (GEF cost – US$ 3.27 mln). GEF would complement baseline program developing the community-based management arrangements for multiple use of forest and pasture resources, and would support on-the ground pilot and demonstration activities in sustainable forest and pasture management, including: (i) rehabilitation and protection of degraded ecologically sensitive areas; (ii) rehabilitation of riparian forests; (iii) use of indigenous multiple-use tree species to rehabilitate degraded forests, and introduction of indigenous plants for rehabilitation of pastures; (iv) improvement of forest management systems, (v) enhancement of pasture management systems; (vi) establishment of windbreaks to reduce water and wind erosion; (vii) development of community-based fire management programs; and (viii) piloting of mechanisms to compensate local communities that protect ecosystem stability, critical functions and services in watersheds.

The GEF will finance small works; goods; field, office and other equipment; consulting services; training and workshops; stakeholder consultations; and the incremental costs related to the management, monitoring, and evaluation of the above activities.

The outcomes of GEF-financed activities would include: (i) strengthened institutional and human resource capacity for sustainable ecosystem management planning and implementation; (ii) improved land tenure systems as an incentive for the adoption of sustainable ecosystem management practices; (iii) preservation or restoration of the structure and functional integrity of critical ecosystems, improved effectiveness of ecosystem management, and increased environmental sustainability of agricultural operations in the project areas; and (iv) raised

awareness, support, and participation of the local population and communities in sustainable ecosystem management.

The alternative would *catalyze widespread adoption of comprehensive ecosystem management interventions that integrate ecological, economic and social goals to achieve multiple and cross-cutting global benefits* through the introduction and nation-wide replication of sustainable ecosystem management practices. These activities would *catalyze strategic partnerships* with the community-based organizations, land users, and other stakeholders at the local and national levels to address ecosystems degradation in a way that achieves multiple long-term global environment benefits. They would *integrate and optimize the positive ecological, economic and social benefits* of natural resources management. They would *accelerate country-driven actions on sustainable ecosystem management* to (i) preserve and restore the structure and functional integrity of natural ecosystems; (ii) strengthen conservation of biological diversity, including globally significant biodiversity; (iii) reduce carbon dioxide emission and improve carbon sequestration and (iv) reduce sediment runoff in waterbodies, including international waterways. They would *strengthen integrated and cross-sectoral approaches in addressing ecosystems degradation at the local and national levels*.

Incremental Costs

The estimated *baseline* and *alternative* project costs are summarized in the Incremental Cost Matrix below. The difference between the cost of the *baseline* (US$ 14.40 million) and the cost of the GEF *alternative* (US$ 19.40 million) is US$ 5.0 million. This represents the incremental cost for achieving global environmental benefits. A GEF grant of US$ 5 million is requested.

Incremental Cost Matrix

Component	Cost category	US$ Millions	Domestic Benefits	Global Benefits
A. Improved Management and Governance of Forest and Pastures	**Baseline**	**8.84**	- Increased economic productivity of land, rural incomes and food security; - Reduced damage from losses of productive lands due to erosion; - Improved land management through the implementation of community-based, decentralized and participatory arrangements for multiple use of forest and pasture resources; - Strengthened capacity of stakeholders (national and local governments and forest/pasture users) to address land degradation though sustainable land management.	- Improved (from better management of productive areas) land degradation control and prevention, protection of biodiversity, and carbon sequestration. - Reduced damage from land degradation to the selected internationally important natural habitats. - Improved performance of aquatic and terrestrial ecosystems due to the decreased sedimentation in reservoirs, rivers, irrigation channels and water recharge areas. - Decreased adverse transboundary impacts on globally significant coastal and marine ecosystems from the reduced sediment runoff to the Adriatic Sea.
	GEF Alternative	**13.19**	Same as above	Same as above increased in scope, plus - Land degradation control and land management practices would specifically address negative impacts of degradation on natural ecosystems stability, critical functions, and services. - Improved erosion control and prevention in the non-productive areas of global biodiversity and landscape value, in functionally related habitats, and in natural habitats performing critical and/or global ecosystem functions. - Nation-wide land degradation control planning and operations are prioritised with due account to the global environmental value of natural habitats.

Component	Cost category	US$ Millions	Domestic Benefits	Global Benefits
	Incremental Costs	**4.34**		
B. Improved Management and Governance of Watersheds	**Baseline**	**3.55**	- Improved sustainability of agricultural production, pasture and forestry operations resulting from integrated approaches to watershed management. - Strengthened stakeholder capacities for effective cooperation in sustainable natural resource management across administrative boundaries. - Improved quality of water resources.	- Improved erosion control and prevention resulting from the application of the integrated approaches to natural resource management.
	GEF Alternative	**4.00**	Same as above,	Same as above increased in scope, plus - Broad dissemination and wide application of the integrated cross-sectoral approaches to the land degradation control and prevention, achieved through the replication of best practices and lessons learned.
	Incremental Costs	**0.45**		
C. Project Management, Monitoring, and Building Public Awareness	**Baseline**	**2.01**	- Management, monitoring, and evaluation of the program for communal-based sustainable natural resources management in place. - Stakeholders trained and capable to successfully implement the program.	- Baseline program effectively managed to result in and maximize global benefits listed above. - Improved stakeholder and public understanding and acceptance of the sustainable land management policies and practices.

Component	Cost category	US$ Millions	Domestic Benefits	Global Benefits
	GEF Alternative	**2.21**	Same as above	Same as above, plus - Increased stakeholder capacity for implementing cross-sectoral approaches to land management. - Project monitoring and evaluation system addresses global environmental concerns. - Improved stakeholder and public understanding of land degradation as a global environment and development issue. - Improved stakeholder and public understanding of the needs and ways to preserve functional integrity and performance of natural ecosystems through sustainable land management.
	Incremental Costs	**0.2**		
TOTALS	**Total Baseline**	**14.40**		
	Total GEF Alternative	**19.40**		
	Total Incremental Costs	**5.00**		
	Total GEF incremental Costs	**5.00**		

Annex 16: STAP Roster Review

ALBANIA: NATURAL RESOURCE DEVELOPMENT PROJ.

STAP TECHNICAL REVIEW

NATURAL RESOURCE DEVELOPMENT PROJECT - ALBANIA

WILLIAM CRITCHLEY

Vrije Universitiet Amsterdam

07 January 2005

1. PREAMBLE

This STAP review follows the agreed terms of reference (TOR) relating to the draft project appraisal document[12]: 'Natural Resource Development Project – Albania', hereafter referred to as 'NRDP' or 'the project'. The six key issues in the TOR are covered, as well as the five secondary issues. There is also a brief general introduction. An initial request for clarification of certain points by the reviewer has been satisfactorily addressed.

2. GENERAL COMMENTS

The PAD is clearly composed, and constructs a convincing case for the project under consideration. A key strength is the proposed project's roots in positive experience under its predecessor, the Albanian Forestry Project (AFP). It explicitly builds on lessons learned from the AFP, thus correctly embracing community-based natural resource management and rejecting the flawed alternatives of centrally controlled tree planting and protected areas. Furthermore this is a demand-driven project. There is clear articulation of the connection between poverty and the state of the natural resources that so many poor people in Albania directly depend on – a resource base that has deteriorated in the wake of profound political changes. There is a good combination of investment in people's participation and the public sector. It is further commendable that this is a five year initiative (rather than less) but, harking back to the AFP and the lessons learned there-under, what about in-built flexibility? The responsiveness that the AFP demonstrated in the light of changing circumstances was one of its great strengths. The PAD follows a GEF path, covering all the main issues of relevance to a project to be funded under OP 15 - Sustainable Land Management. There is potential global environmental significance in terms of biodiversity and carbon storage. There is a compelling rationale for the NRDP from all main angles. This reviewer supports the proposal generally, and its relevance for GEF funding specifically.

[12] Alongside the draft PAD, the reviewer was given a copy of the GEF executive summary for supplementary background/ information

3. KEY ISSUES

3a Scientific and Technical Soundness

Land degradation is a major threat in the Albanian uplands, where its interlinkage with poverty (both a cause and a consequence; thus a vicious cycle) is a major challenge. The successes in improved natural resource management witnessed under the Albanian Forestry Project provide a pointer that this proposed project will also 'come good'. Much of the technical success derives from transfer of usufruct rights, and such an indirect approach is often the most powerful (in contrast to direct conservation campaigns). The 'technical priority menu' approach, where local communities pick and choose what they want, is a sound one. There is, however, disappointingly little detail given regarding the technical aspects of these improved resource management actions. These are often vaguely grouped under 'watershed management'. There is perhaps too much (unintended?) emphasis placed on physical barriers – gabions for example.

More detail regarding biodiversity aspects would also be welcome: benefits will certainly occur, but where particularly within the ecosystem, and what about the relative above/ below ground benefits? These points could be described more graphically, in terms of the range of actions and their expected impacts. Another point of concern is the relative lack of attention given to cropland, which constitutes around 20% of the land area and provides, apparently, half of the agricultural income. No doubt these fields contribute significantly to sediment loads in watercourses also, through surface erosion. While it is a refreshing change that pasture and forest resources are the priority in such a project (this is not surprising, taking its provenance into account) it will be a challenge to incorporate arable areas fully into the programme of action.

3b Global Environmental Benefits and/ or Drawbacks

Sustainable land management is the core of the NRDP - and at the heart of ecosystem function with its direct and positive impacts on biodiversity and carbon storage[13]. The latter, carbon storage, addresses climate change. The emphasis on improved management and use of forest resources and pastures should certainly lead to biodiversity improvements. There are no drawbacks envisaged.

3c Project's context within GEF goals, operational strategies, programme priorities, GEF council guidance and the provisions of the relevant conventions

There can be no doubt that this project fits well within the GEF context generally. Its focus on sustainable land management in the face of severe land degradation - and thus relevance to OP 15 - is clear. There is a strong connection with OP 12 through the proposed management of forest, pasture (and crop) lands, and hence an integrated ecosystem approach. Contextually there is a good fit also with OP 3, Forest Ecosystems. Beside these technical aspects, NRDP is firmly committed to the interests of stakeholders, both in terms of its demand-drivenness and participatory involvement in planning and activities.

[13] It is becoming more common to use the term 'carbon storage' in place of the more common 'carbon sequestration' thus dispensing with jargon and making the concept clearer to non-specialists. Perhaps this project could follow the trend?

3d Regional Context
The main regional aspect of the NRDP is the envisaged reduction in sediment delivery to the Adriatic Sea.

3e Replicability of the Project
Potential replicability is a real strength of the NRDP. The fundamental political changes in Albania, and the resultant insecurities and uncertainties have led to a disturbance in land management systems, and degradation has followed. This is a situation shared by several other countries in the former communist block. And NRDP is a project that addresses the roots of the problem in this situation – usufruct rights. The whole question of local governance and ownership is very relevant in neighbouring countries. What works well in Albania may therefore have lessons for the region at large.

3f Sustainability ('of the project')[14]
This is a country demand-driven project. That in itself signals hope for long-term sustainability. The proposed project has a strong foundation in the AFP, which itself can claim to have established sustainable institutions and practices. There is, furthermore, a large difference in projects that merely address the technical issues associated with land degradation and those – like AFP and the NRDP – which address the root causes: in this case, as noted above, usufruct rights. NRDP is well integrated into government strategies and plans, and can be viewed as a booster to get important initiatives up and running.

4. SECONDARY ISSUES

4a Linkage to Other Focal Areas
The links with shared international waters will be forged eventually when the sediment delivered to the Adriatic Sea diminishes: that may not happen significantly within the five years of the project, but should be a legacy as long as sustainable land management continues to improve. Biodiversity and climate change are addressed, as already noted. The direct relevance of this project to integrated ecosystem management is also evident.

4b Linkage to other Programmes/ Action Plans
A large number of other programmes and action plans have connections with NRDP. Partnership arrangements are listed in the PAD: these include partnerships/ potential partnerships with Sida, SNV, WFP, the Italian Government and UNDP. The GEF summary is explicit regarding the relevant national legislation and policy frameworks which are being strengthened currently. SLM is said to be assigned the 'highest priority' in all key operative national plans. Six of these are listed. Furthermore, two bodies – the National Coordinating Board for Controlling Land Degradation and Desertification, and the National Council for Nature and Biodiversity – have been established as coordinating agencies for these government efforts. The same document (GEF summary) also draws attention to the IDA funded 'Water Resources Management Project' and the GEF funded 'Assessment of Capacity Building Needs and Country Specific Priorities in Biodiversity Conservation'. Six other GEF-financed operations are listed as being

[14] While the TOR specify 'of the project' clearly the meaning is 'of the initiatives' (or something similar) and the question is answered in this way.

complementary in a broader context. There appear to be very good linkages, but these should be more explicit in the PAD itself.

4c Other Beneficial or Possible Damaging Environmental Effects

As mentioned in the PAD, there will be positive effects on downstream (lowland) communities, and on coastal ecosystems also. The only significant risk, which is acknowledged, is that of inequality in the spread of benefits leading to 'retaliatory' or 'compensatory' activities, detrimental to land management. Illegal logging is the most obvious of these. The future potential for tourism in the restored landscape is intriguing and worthy of mention. Tourism's eventual impact on the environment will no doubt be the subject of future discussions.

4d Capacity Building

The community-based nature of the project suggests that institution strengthening will be key, and this cannot occur without parallel capacity building of officials. Indeed the PAD specifies that such capacity building – of decentralised government institutions as well as community-based ones - will be a strong feature of micro-catchment development[15]. It will also be on the agenda under the first component, as is most clearly laid out in regard to the strengthening of the 130 associations begun under the AFP. The collaboration with SNV involves considerable emphasis on capacity building also. This is at various levels.

4e Innovativeness of the Project

The transfer of usufruct rights and setting up/ strengthening of land user associations makes this an innovative project - though this could be viewed now as an established procedure through AFP. Community-based planning of micro-catchments, however, is innovative in Albanian terms. Another innovative aspect is the associated pilot BioCarbon Fund initiative. This sets a precedent, and will help build local capacity for brokering larger deals - to upscale some NRDP activities in the future. It will also lay the ground for exploring options in Albania to expand carbon trade associated with sequestration. The final point under this section is that the project specifies that it will rely on technologies 'already developed'. This is fine as far as it goes, but the implication is that it will *not* look out for promising local innovation, either technical or social. That might prove to be a missed opportunity.

[15] It is good to note that hydrologically defined micro-catchment boundaries will not be strictly adhered to in the few cases where they might cut through a community

RESPONSE TO THE STAP TECHNICAL REVIEW

The STAP reviewer comments are generally highly supportive of the project objective and design, and of its relevance for GEF funding.

In addition to recognizing the strengths and appropriateness of the proposed project, the reviewer draws attention to several areas where finalization of project documentation at appraisal could provide greater clarity and detail. These include:

1. *Technical aspects of resource management actions*. Project design seeks to avoid an overly prescriptive approach to management actions and, instead, greater detail about the types of interventions that will be financed will be provided in the context of: (a) an elaborated menu of options of interventions to be selected by participating communities (which is currently being developed and will be incorporated into the Project Implementation Manual) and, (b) ultimately, in the context of both micro-catchment, as well as forest and pasture management plans. Cropland has been taken into account in Component B, which will pilot a multi-sectoral approach to planning and management of natural resources at the level of micro-catchments (MCs): forest and pasture management will be integrated with crop and livestock production, as well as soil and water conservation, in a mutually reinforcing manner.

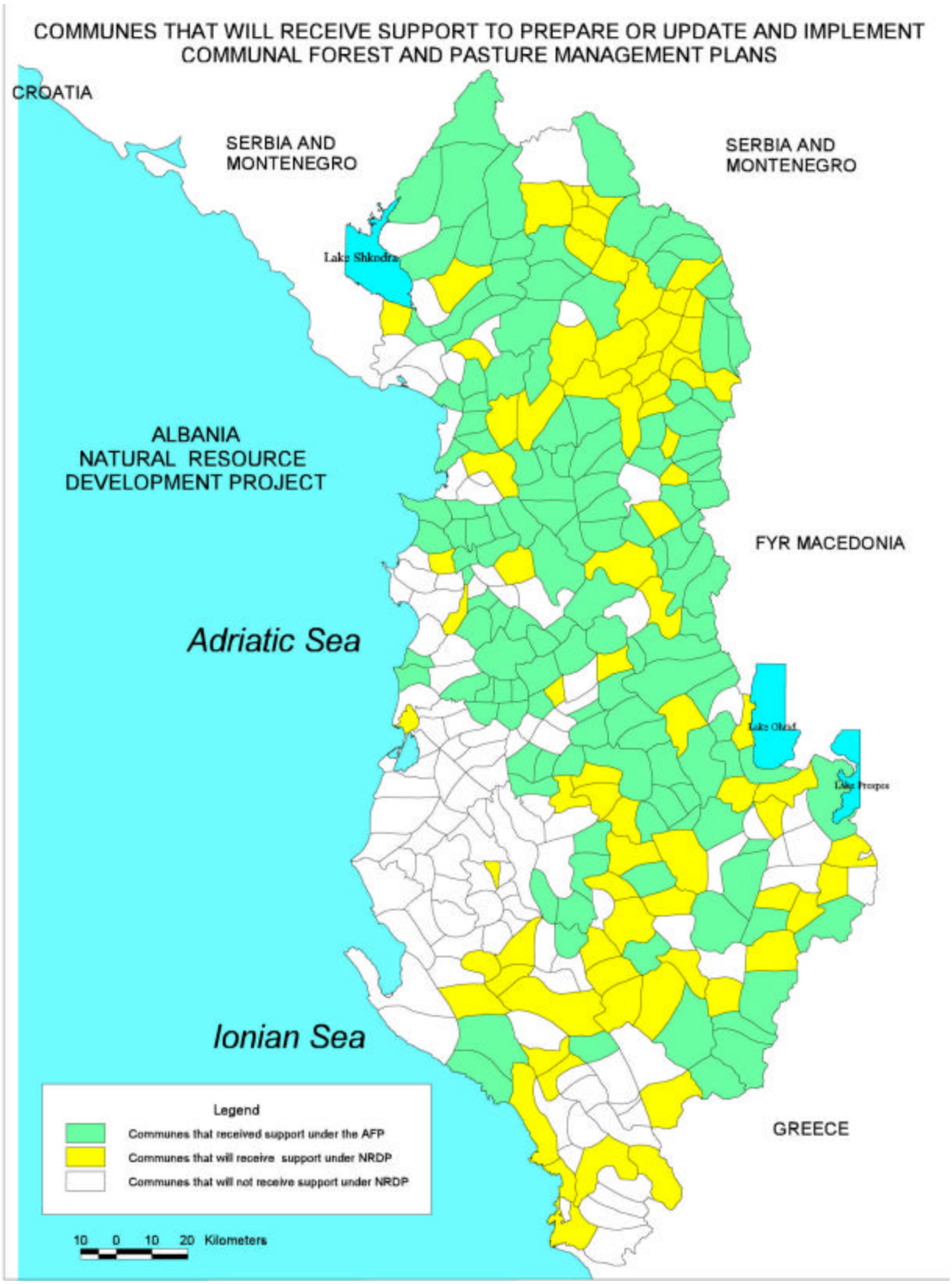
2. *Biodiversity aspects.* The detailed menu of interventions which is currently being developed details the impacts of each type of intervention, including on biodiversity. The Project Implementation Manual will include reference maps of natural and critical ecosystems that can be overlaid onto project sites, together with a checklist of site specific options for incorporating conservation of indigenous biodiversity in the resource management plans (micro-catchments and forest and pasture management plans). In addition, under implementation, in the event that participating commune lands are adjacent to protected areas (and especially when part of a protected area is included in a project micro-catchment), project will actively explore options for commune participation in protected area planning and management.

3. *Linkages with other projects and programs.* Prior to and during appraisal, preparation will better define how the NRDP can benefit from coordination with other Bank projects and programs, specifically including the Water Resource Management project, which will finance some of the physical investments in land stabilization in the upper watersheds. It has already been agreed that the Water Resource Management Project will finance priority small-scale investments in irrigation identified as part of the micro-catchment planning process.

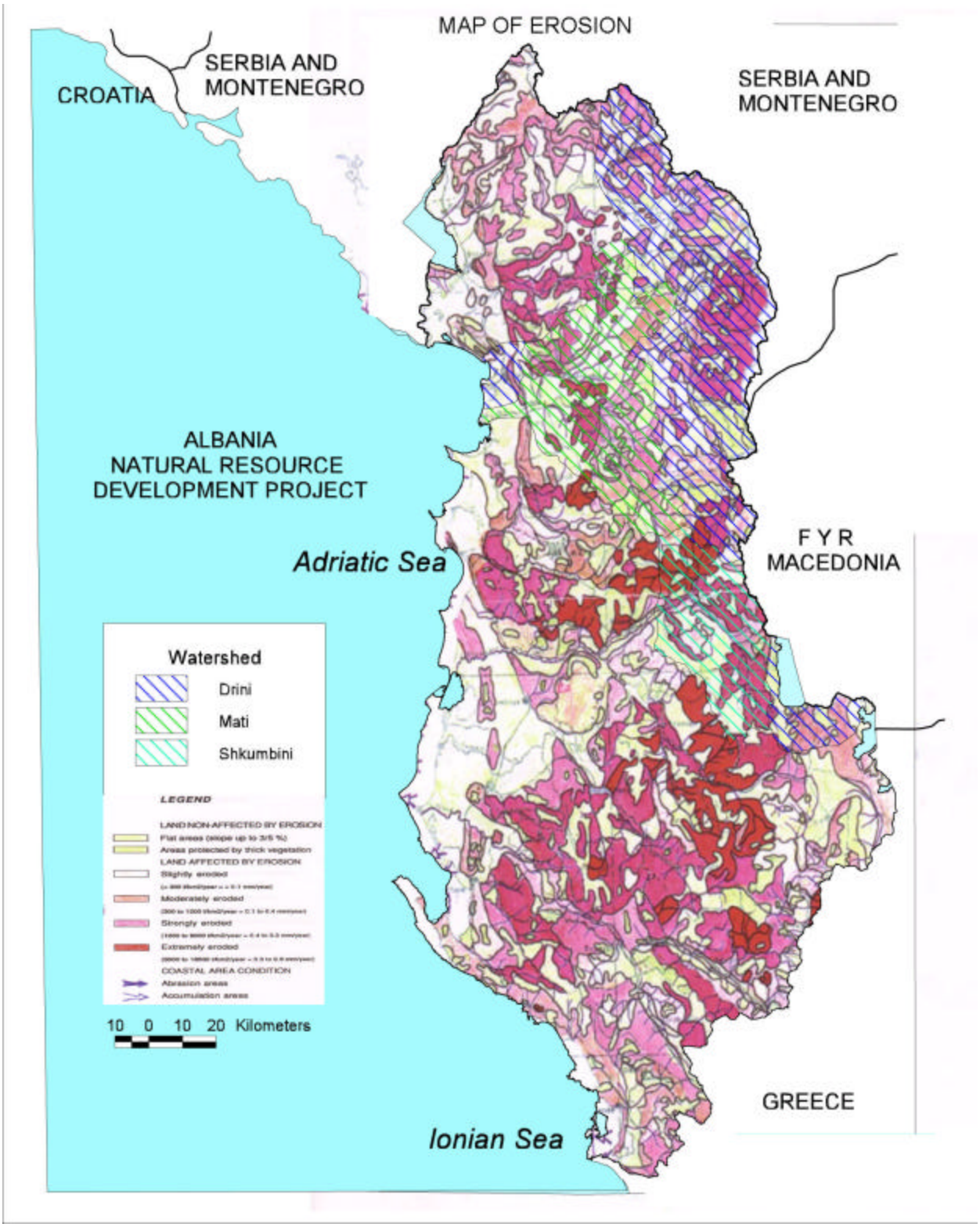
While the reviewer commends the intent to build on tested approaches and technologies, and recognizes the considerable level of innovation already incorporated in project design, the review advises that the project should be open to testing new technologies as appropriate. This has been taken into account. In particular, the project will support new approaches in forest management. The project will pilot testing of forest thinning and coppicing regimes, as this need arises for

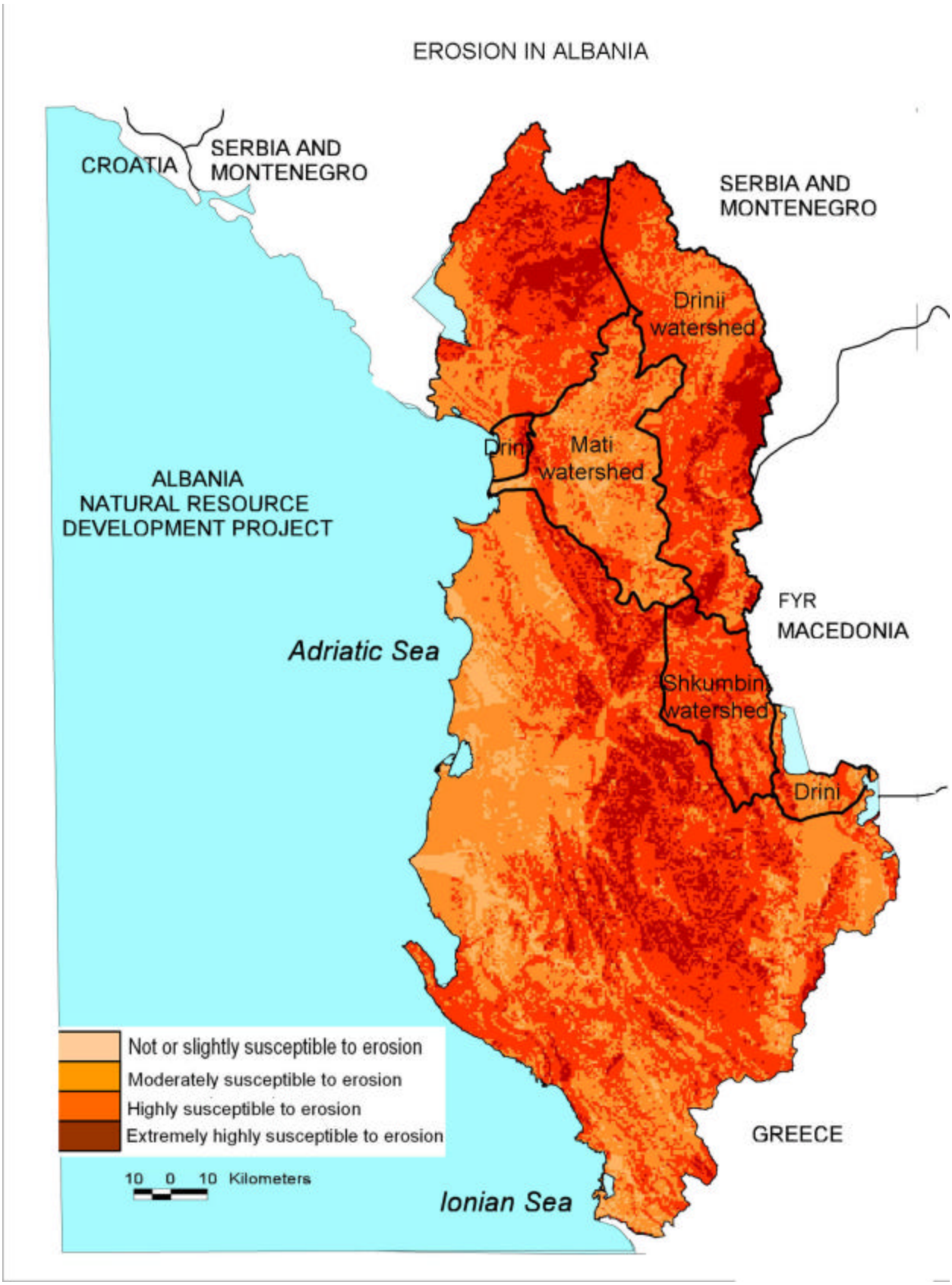
forests rehabilitated under the Albania Forestry Project which are becoming mature. The project will also explore the ‘farmer forest management’ system where no pre-commercial thinning or coppice system is applied but a continuous management and harvest system provides farmers on an annual basis with the products they need. The project will also build on the innovative techniques developed tested under the Agricultural Services Project.

Annex 17: Maps
ALBANIA: NATURAL RESOURCE DEVELOPMENT PROJ.


COMMUNES THAT WILL RECEIVE SUPPORT TO PREPARE OR UPDATE AND IMPLEMENT
COMMUNAL FOREST AND PASTURE MANAGEMENT PLANS
CROATIA
SERBIA AND
MONTENEGRO
SERBIA AND
MONTENEGRO
Lake Shkodra
ALBANIA
NATURAL RESOURCE
DEVELOPMENT PROJECT
FYR MACEDONIA
Adriatic Sea
Lake Ohrid
Lake Prespes
Ionian Sea
GREECE
Legend
Communes that received support under the AFP
Communes that will receive support under NRDP
Communes that will not receive support under NRDP
10 0 10 20 Kilometers


ALBANIA MAIN WATERSHEDS
SERBIA AND MONTENEGRO
SERBIA AND MONTENEGRO
Drini watershed
Mati watershed
ALBANIA
NATURAL RESOURCE
DEVELOPMENT PROJECT
FYR
MACEDONIA
Ishmi watershed
Erzeni watershed
ADRIATIC SEA
Shkumbini watershed
Semani watershed
Legend
Drini watershed
Mati watershed
Shkumbini watershed
Vjosa watershed
10 0 10 20 Kilometers
GREECE
IONIAN SEA


MAP OF EROSION
CROATIA
SERBIA AND MONTENEGRO
SERBIA AND MONTENEGRO
ALBANIA
NATURAL RESOURCE
DEVELOPMENT PROJECT
Adriatic Sea
F Y R
MACEDONIA
GREECE
Ionian Sea
Watershed
Drini
Mati
Shkumbini
LEGEND
LAND NON-AFFECTED BY EROSION
Flat areas (slope up to 3/5 %)
Areas protected by thick vegetation
LAND AFFECTED BY EROSION
Slightly eroded
Moderately eroded
Strongly eroded
Extremely eroded
COASTAL AREA CONDITION
Abrasion areas
Accumulation areas
10 0 10 20 Kilometers


EROSION IN ALBANIA
CROATIA
SERBIA AND MONTENEGRO
SERBIA AND MONTENEGRO
Drinii watershed
Drini
Mati watershed
ALBANIA
NATURAL RESOURCE
DEVELOPMENT PROJECT
FYR
MACEDONIA
Adriatic Sea
Shkumbin watershed
Drini
Not or slightly susceptible to erosion
Moderately susceptible to erosion
Highly susceptible to erosion
Extremely highly susceptible to erosion
10 0 10 Kilometers
GREECE
Ionian Sea

Annex 18: Social Assessment

ALBANIA: NATURAL RESOURCE DEVELOPMENT PROJ.

Social Assessment (SA) was carried out in six communes and 17 villages from December 24, 2004 to January 12, 2005. The selected sites were largely representative of the country's three agro-ecological zones: (a) the mountainous areas, characterized by high poverty and pockets of food insecurity, which were represented by five villages in Fushe Bulqize and Shupenze communes in Dibra, and three villages in Hotolish commune in Librazhd; (b) the coastal lowland area, containing the most fertile arable land, were represented by six villages in the communities of Kolsh and Kallmet communes in Lezha where user rights to resources had earlier been transferred under the Albania Forestry Project (AFP); and (c) the central zone, known for its transitional hilly terrain and extensive forest areas, was represented by three villages in Hudensiht commune in Pogradec. Consultations were conducted in the form of 180 face-to-face, semi-structured interviews with officials, experts and farmers; a community questionnaire; and six focus group interviews. A total of 215 people were interviewed. Supplementing these findings are issues raised in project background papers and other studies conducted on Albania.

Key findings

Villagers' perceptions of the planning process for AFP resource management

Overall, villagers appreciated the AFP, mostly because of ownership created through consultations and participation of stakeholders. The NRDP, however, could increase local ownership of resource management planning. In some AFP project areas, villagers saw developing the management plans as necessary to receive formal user rights to State forests and pastures, rather than as a way of achieving economic sustenance through sustainable land use activities. Villagers regarded management planning as a "District Forest Service (DFS) activity," not immediately useful to them except when they could get paid jobs. Plans and maps were drawn up by professional foresters contracted by the AFP and/or staff from the DFS sometimes with little input from villagers. As a result, plans were occasionally based on incorrect information, for example a partial list of users or inaccurate boundaries, and were sometimes too technical for villagers to understand. Thus, villagers were less inclined to initiate activities to protect the forests and, when they did so, they only kept away intruders rather than investing in long term, intensive approaches, such as planting or erosion control.

Villagers are reluctant to invest in sustainable agricultural and forestry practices because they worry about their future tenure security ("in use" agreements are limited to a 10-year period) and the three-year time frame of project financing. They believed that rehabilitating the severely degraded land will take time, and that any economic benefits will come long after project financing ends. Management plans were sometimes guided by the financing level rather than the community's environmental priorities. However, increased production of fodder and non-timber products, such as medicinal plants, will bring immediate benefits. The NRDP has also been structured to bring an increased rate of return from agricultural production (component B) in the project's first two years. Villagers will be told about these benefits early in the project.

The main role played by villagers under the AFP was implementing management plans. Villagers were hired by the DFS as manual laborers and supervised by the forest contractor. It is unclear whether the villagers just carried out orders or actually learned new skills and influenced decisions. SNV case studies report that results varied from contractor to contractor.

Role of Users Associations in representing villagers' interests and facilitating participation

According to an FAO review of the AFP, 38% of surveyed villagers did not feel they were sufficiently represented by the Forest and Pasture User Association (FPUA) and 33% felt that the FPUA failed to consider their individual interests. In other studies, villagers reported they did not know what membership of the FPUA entailed, although they themselves were members. Despite broad membership of FPUAs (all resource users were *de facto* members), some members were inactive and ill-informed about project activities. In some FPUAs, the few meetings were held in the district capital (commune) with selective participation among villagers with ties to the FPUA or DFS leaders. Villagers in the Central plains felt that the FPUAs did not offer substantial help with marketing that could improve their earnings potential. They wanted a user association that would: reorient them to better respond to market opportunities, organize farmers into larger productive and marketing entities, and provide agro-processing facilities and equipment.

Perceived benefits from participation

One of the greatest benefits of AFP is increased income. Given the desperate lack of work in the rural areas, villagers valued the AFP partly because it provided short-term paid labor. It is not clear, however, if the poorest families were actually chosen for these jobs. Income earned through paid labor could reduce poor families' dependence on natural resources, allowing them to abide by land access restrictions, in addition to improving their overall health and welfare. In SNV case studies, villagers complain that income from the project benefited only salaried FPUA members. In the SA field investigations, the majority of surveyed families claim that the project had limited impact on household income in the long term.

Tenure Insecurity

Thirty percent of agricultural land and 85-90% of pastures and forests are subject to some form of tenure insecurity. Regions most vulnerable to tenure insecurity are the north and northeast, where Law 7501 (which gave existing occupants of land usufruct rights and property rights) has yet to be implemented, and ex-landowners are unwilling to renounce their claims; and peri-urban areas where rural land is rapidly becoming classified as "urban". The majority of farmers want ownership to land they perceive to be their own, which in many cases is legal recognition of traditional family usufruct rights. Many, however, are reluctant to formally accept usufruct rights from authorities (through land registration or a certificate) if the boundaries do not reflect actual use or if there are outstanding claims to all or parts of the property.

Tenure insecurity creates an atmosphere of tension and distrust in villages, occasionally erupting into open hostilities and violence over boundaries. Farmers with user rights to communal pastures and forests are reluctant to rehabilitate the land out of fear that the authorities will take it

away. Private farm owners usually don't want to join their land with adjacent parcels owned by others to increase their yields because: they do not trust their neighbors, they cannot form a large enough plot, they are constrained by ex-owner claims from entering into land use agreements or by legal restrictions prohibiting private land and forestry owners from changing use of their land.

Social cohesion

Community relations are undermined by tenure insecurity. A consensus of survey respondents – 100% of respondents in Hotolisht, Hudenisht, and Kolsh communes – were unwilling to cooperate with one another, even though the majority of them judged relations among villagers to be "very good" or "good." The few who were willing to cooperate expected greater opportunities to sign contracts with suppliers and the ability to leverage lower input prices. The lack of cooperation is because of: a lack of trust and other psychological barriers, dislike of working as part of a cooperative and the lack of interest by young people who plan to emigrate.

The lack of willingness to collaborate on inter-village projects may pose an obstacle to the project's success. Upstream and downstream villages share interdependencies of resource use of micro-catchments and watersheds. Such interdependencies require strong cooperation among these communities, as well as adjacent communities under different administrative authorities. Formal and informal agreements regarding access rights and easement among villages in a micro-catchment sharing common pasture will be critical in implementing interventions affecting the entire watershed.

Exclusion

<u>The landless</u>

Active participants in AFP project implementation were largely families and individuals granted private user rights to forests and pastures. Many of these families had a personal stake in protecting and improving their parcels. Mostly excluded from the project were families who did not have any traditional rights to specific areas of forest and pasture land and had rights only to use the communal areas for grazing. According to the SA, the number of surveyed families without farmland varies from 0 to 4% of the village population in Dibra and Podgradec to 19% in Kallmet commune (Lezha district).

These disenfranchised families usually comprise the poor and newcomers to the village. Newcomers who come from the same socio-economic and ethnic background as the villagers in the recipient area are more likely to be integrated into village activities and be given or allowed to buy parcels (e.g. in Hudenisht village in Podradec). Conversely, newcomers with characteristics distinct from those of the other villagers are not encouraged to stay in the village (particularly the more attractive villages where population pressures are mounting, such as villages in Lezha district) or granted access rights to the communal areas only.

<u>Women</u>

Women, given their secondary status in traditional rural society, generally have little say in most decisions and have virtually no representation in management in public institutions, including user associations. This is particularly so in areas where the Kanun code of ethics is practiced.

Although women are major contributors to farming operations and the household, they have almost no legal right to land or property. Among the families surveyed, the vast majority of land deeds were made out in the father's or husband's name; just 3.7% of families with land deeds in Fushe Bulqize, and 1.4% in Kolsh, were in the mother's or wife's name. Gender roles in agriculture depend on the size of the farm; on larger farms men take the lead with women and children doing chores and helping with farm crops; on medium-sized farms, women and men take more equal roles; on small farms, women tend to do everything while the males outmigrate. Overall, wives work beside their husbands in about 45% of rural families, although this is not recognized formally in terms of payment, land rights, and technical and financial support.

Since the 1990s, women have had a higher unemployment rate. Age discrimination is another key factor determining job opportunities for women and girls. Women of childbearing age are discriminated against in favor of younger women or men. A common stereotype is that women work less efficiently than men. These and other factors have led to a feminization of poverty, particularly in the rural areas. The FPUAs in the AFP had higher rates of employing women than did other local organizations. However, women were visibly absent in management planning discussions and project implementation at the village level.

Rural youth

Another group at risk of exclusion is disaffected youth. Just under 20% of surveyed male youth report that they want to work in agriculture. The majority wants to work in off-farm activities outside the village. Low farm income and hidden unemployment are the most important factors motivating emigration to the cities. The disengagement of youth from rural development is an important consideration as they comprise a large share of the working-age population in the villages surveyed, ranging from 30% in Hotolisht to 47% in Shupenze.

Absentee landlords

Absentee landlords are at risk of exclusion from project activities. Absentee landlords – city dwellers with private land holdings in the rural areas – represent a growing share of private farmland owners, ranging from 10% of the working age population in Hudensiht and Hotolisht, to 22% in Fushe Bulqize and Kolsh, to 42% in Kallmet. Most absentee landlords leave their land fallow, sometimes watched by relatives or neighbors. Like most farmers, absentee landlords do not want to sell their land because they regard it as their family's safety net for lean times.

Poverty

Poverty is concentrated in the northern region where over one-half of families own very small farms (0-.5 ha) of poor quality land. Poor families tend to be young families with dependent children. According to the Poverty Assessment (2003), Dibra prefecture is the worst off of all prefectures; 42% of the population have incomes half that of the poverty line. Pockets of poverty also exist in the mountains around Gramsh district, also in the north, and around Podradec in the central region. Two-thirds of farm families do not produce enough food for subsistence and require in-flows of grain. Fuel wood is essential for heating and cooking in rural areas, and poor families in particular depend on forest wood for survival. According to a study conducted by ACER (2003), the poor are more likely to burn wood continuously throughout the day than the non-poor who can afford gas and other energy sources, and poor women are

consequently more likely to have adverse health conditions from smoke inhalation. In the surveyed area, 44% of families had monthly incomes below the poverty line (US$ 103).

Although farm revenues are a stable source of income for most farm families, they were just one-third of household income on average in the surveyed communities. Forestry products constitute 17% of cash income. The primary source of income among rural families, particularly those living in villages with large out-migration, is remittances, which comprise on average 53% of household income. On average, one-fourth of surveyed families receive social assistance. Farm families whose main source of income is farm revenue are the main recipients of social assistance. In Hudenisht commune, where agricultural income comprises 70% of the household budget, 42% of families receive state assistance. These findings suggest that the majority of rural families lead a precarious existence, relying on forestry products, remittances and social assistance to meet family needs. Interestingly, those families who largely depend on remittances from abroad are more likely to assess their family's financial situation to be "very poor" or "poor", whereas families whose major income source is farm revenue rated their family situation much more favorably.

Market activities

Even in AFP areas, income derived from sales of agricultural products, fees or income from grazing and hunting was relatively low. Agricultural output is constrained by: dispersed plots too small for mechanization, reluctance on the part of owners to sell or swap parcels, presence of alternative income sources (e.g. remittances) and conflicts. Lack of processing facilities, which would increase prices paid for farm products and lack of information about markets beyond the village contribute to low farm revenues. In the communes under investigation, there was only one processing facility (a dough processing facility), which employed two people.

Surveyed families identified lack of employment (and low income) as the most important problem rural families face[16]. They expressed a strong desire to earn a decent living from agricultural and forestry activities, including medicinal herb collection. A study of 300 families in Lezha, Elbansani, and Tepelena from 2000-2003 found that income from herb collection was relatively high, averaging US$ 17 per family per month, and women and children were the predominant gatherers.

Only a minority of survey farms (8.4%) sells their produce in a market setting. This suggests that farms need to be organized into larger units to increase the volume and diversity of produce for sale, expose a larger number of farms to the market, and leverage higher prices. For the reasons mentioned earlier, farmers are reluctant to enter into producer associations, but they would consider working together in supply, marketing and agricultural credit cooperatives.

Villagers are also interested in developing off farm employment within the commune, such as tourism and associated service establishments (bars, hotels, restaurants, billiards), car repair services, bakeries, barbershops, tailor shops, and mills.

[16] The second most important problem was irregular energy supply. Water problems affect about one-third of residents on average, and virtually all residents in Kolsh.

Effect of Project-Induced Access Restrictions on Livelihoods

Although communes could participate more in designing and implementing AFP's management plans, it is widely recognized that AFP's project helped the poorest groups in the short-term with paid jobs and food aid coordinated with the World Food Program (WFP). In addition, communities aided poor families by allowing them access to restricted communal areas. In most circumstances, access to areas was not closed but controlled, allowing for movement among families deemed by the village to be poor and dependent on the resources of the area. Village members honor these arrangements because they are community inspired, reflect local definitions of relative poverty, and address the particular needs of individuals and families for the overall good of the community.

Issues of dependency on forests and rangelands, and arrangements for securing more equitable access to planning and to project benefits are addressed in the planning process and in the Project Implementation Manual. O.P. 4.12 on involuntary resettlement is triggered when restrictions are imposed by authorities and communities have little or no discretionary power to make land use decisions. However, the social assessment confirmed that while, according to Albanian law, land owners and users can not make land use changes without governmental permission, in practice villages exercise full autonomy in land use decisions on communal areas. More importantly, in the case of this proposed project, both project design and implementation arrangements as specified in the Project Implementation Manual ensure that decisions about rights of access to land and livelihood affected by the project will be made at the level of the community in villages and up to commune levels, rather than by governmental officials. As stated above, transparent and effective mechanisms to ensure broad consultation and participation into the decision-making process are built into the project's management plans for both components A and B.

General Recommendations

Participation is most effective when it starts early in the project and includes a broad range of stakeholders. Villages selected for the project should be fully informed about the goals and objectives of the project given concurrent activities taking place in the commune. This will enable villagers to understand the project on its own merits and place it within the larger context of decentralization reform. Villagers must be taught about the long-term economic benefits of sustainable natural resource with simple concepts and examples.

Prior to designing management plans, villagers themselves must identify community environmental priorities and participate in decisions about the types of project activities appropriate for the environmental conditions of the village. This will give all villagers, not just beneficiaries from the land "in use" agreements, ownership over the project. Villagers will understand that the community as a whole will benefit and not just privileged groups. Sub-contracted foresters or community forester officials must understand that part of their job is building the capacity of villagers to engage in sustainable natural resource activities without external assistance. As much as possible, they should involve villagers in identifying commonly observed boundaries, identifying information gaps about land users, drawing maps, and

preparing official requests for the improvements. They should include diverse groups of villagers, including women, private farm users, and youth in decision making processes. Resulting management plans should be simple, easily understood, and agreed upon by the villagers before implementation.

During implementation, eligibility criteria should be used to choose paid laborers so that project benefits are spread over a large number of diverse people, including the poor. The DFS and sub-contractors must transfer skill and know-how to villagers during a project activity, e.g. planting or erosion control. As the process continues, the DFS or sub-contractor should facilitate rather than lead activities, thereby encouraging villagers to gradually assume leadership roles.

The project may wish to consider a competitive grants sub component, in which villages would apply for additional funding after a first round of project activities. Villages would be selected on the basis of: the content of their applications, which should convey a feasibility approach and the concepts and applications they learned from the previous exercise, demonstration of extensive community participation, gender equity in decision-making, level of in-kind contributions, etc. Such community driven small grants competitions, e.g. the Albanian Agricultural Services Project, have worked well to empower communities and build their capacity to solve their own problems. Some grant competitions require villages to work together to foster greater collaboration and resource pooling.

Since the scope of the project extends beyond the village to communes and micro-catchments and watersheds, the main governmental and project supported institutions should coordinate a strategy of sustainable natural resource management. Coordination of the village plans (in terms of information and feedback) should ensure that they are complementary and not duplicative of one another, maximize the best use of shared resources, and consist of activities that will improve natural resource conditions in the watershed as a whole. This will be the role of the FPUA at the commune level and the Regional Watershed Supporting Teams.

In the AFP, it was found that (i) some FPUAs, based in the communes, could make themselves more available to villagers; and (ii) information was not always exchanged via the village commissions. To encourage closer links between the FPUA, village associations should be created to represent village interests, convey information about the project, provide hands-on technical expertise, etc. (Alternatively, the nascent Consulting and Monitoring Working Groups (CMWG) may be able to fulfill this function.) These associations would support the village head at the village commission meetings. The presence of a village association member at the village commission meetings would ensure that village interests are adequately and accurately represented. A village association could also monitor the progress of implementation as well as track monetary contributions made to the FPUA reinvestment fund. Finally, the village association could tap into the strong emigration networks, rendering community development material and financial support from absentee landlords and relatives living outside the commune. In addition, FPUA staff should have first hand experience working in communities, providing training and/or extension services. At a minimum, staff should be trained in management, record keeping, accounting, and project monitoring. The improved technical capacity of FPUA staff will enable them to provide extension services and market information to farmers, assist farmers to learn about and apply for agro-credit, and help farmers to organize production and sales in

response to supply and demand. The rules governing all project-affiliated associations should be transparent.

Specific Mechanisms to Ensure Broad Based Participation

The following mechanisms, supplemental to those currently existing, will be incorporated in fuller detail in the Project Implementation Manual:

1. *Village selection for planning:* Selected villages will have relatively small areas (ha.) of refused land and land owned by absentee landlords.
2. *Rules governing the planning process:*
    a. Land use decisions must be agreed upon by a quorum of village representatives comprised of: women, youth, private forestry and agricultural owners who do not use communal areas, farmers without user rights to specific areas of forest and pasture land, and "fringe" farmers (see 2b.).
    b. The village "community" will be expanded to include farmers and other inhabitants residing on the fringe of the community who are not members of a neighboring village.
    c. Meetings should be arranged at times when most community members can participate (e.g. not during productive hours or meal preparation).
    d. The village is responsible for designing management plans, assisted by the District Forest Service staff and Regional Agricultural Directorate staff, who will provide leadership and technical input and will guide the villagers to ensure that the voices of poor men and women and other excluded groups are represented and heard at the meetings.
3. *Project implementation*:
    a. priority for paid labor time should be given to the poorest families. Women should be given paid labor opportunities for work they are willing and able to perform, especially in the development of medicinal herb collection and processing where they have traditional involvement and expertise.
    b. Poor individuals and families (e.g. those whose livelihoods will be endangered if access to resources in communal areas is curtailed) are exempt from land access restrictions. The village will identify exempted individuals and families. Their names will be documented and circulated to FPUA.
    c. Meetings on project related activities will be conducted in villages at monthly intervals and attended by FPUA representatives and a quorum of male and female villagers. Meetings are to be scheduled when most men and women are able to come (e.g. not during productive working hours or meal preparation). To encourage women's participation, other venues can be arranged, such as one-on-one discussions, separate women's groups, etc.
    d. Foresters, sub-contractors FPUA members and village representatives will participate in gender awareness-raising and training activities.

4. *Membership:* The following entities will have at least one female member serving in a leadership or technical capacity (non-administrative): FPUA, village associations (if established), Consulting and Monitoring Working Groups, and Regional Watershed Supporting Teams.
5. *Roles and Responsibilities of the Village Associations/Consulting and Monitoring Working Groups:*
    a. The village association will support the village head in representing the village at the village commission meetings and with FPUA.
    b. It will convey information between FPUA and the village.
    c. It will monitor the progress of project induced village activities and report bottlenecks and/or potential opportunities to a quorum of villagers and FPUA. It will facilitate problem solving amongst the community members and convey modifications to the plans and/or implementation arrangements to the FPUA
    d. The village associations will respond to grievances arising from the project at the village level and will seek to resolve and/or lessen conflicts.