



MINISTRY OF ECONOMY, TRADE AND ENERGY

REGIONAL DEVELOPMENT CROSS- CUTTING STRATEGY

FINAL DOCUMENT

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REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

Table of Contents

Abbreviations & Acronyms	3
Glossary	4
0. Executive Summary	7
0.1 Introduction	7
0.2 Regional Development in Albania	7
0.3 The Government's Vision	8
0.4 The National Programme for the Development of Counties (NPDC)	8
0.5 Disadvantaged Areas Development Programme (DADP)	9
0.6 Legal Framework for Regional Development	10
0.7 The Institutional Framework for Regional Development	10
0.8 Resource implications	11
1. Overview	12
1.1 Introduction	12
1.2 Regional Development in Albania	12
1.2.1 Administrative and statistical sub-division of Albania	12
1.2.2 Regional disparities in Albania	15
1.2.3 Existing instruments to address regional disparity.....	17
2. Vision, priorities and goals	18
2.1 Vision	18
2.2 Goals	18
2.3 Strategic Objectives	18
2.3.1 Strategic Objective 1: All counties enabled to contribute to the sustainable development and competitiveness of Albania	20
2.3.2 Strategic Objective 2: An effective management framework for regional development.....	22
3. Policies	24
3.1 The National Programme for the Development of Counties (NPDC)	24
3.2 Disadvantaged Areas Development Programme (DADP)	28
3.3 Legal Framework for Regional Development	32
3.3.1 The Law on Regional Development	32
3.3.2 Flexibility in the Law on Regional Development	34
3.3.4 The County Development Agreement	34
3.4 The Institutional Framework for Regional Development	35
3.4.1 National Partnership Council for Regional Development (NPCRD).....	36
3.4.2 Ministry of Economy, Trade and Energy (Strategic Programming Department)	37
3.4.3 Line Ministries	38
3.4.4 County Partnership Council.....	39
3.4.5 County Council	39
3.4.6 County Development Agency.....	39
4. Resource implications	41
5. Accountability, monitoring and evaluation.....	43
Annex 1: The consultation process for finalising the Cross-cutting Strategy for Regional Development	44
Annex 2: The interim National Partnership Council for Regional Development.....	56
Annex 3: The County Development Strategy – a possible basis	59
Annex 4: The County Development Agreement – a possible basis	62

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

Abbreviations & Acronyms

AP	Action Plan
CDA	County Development Agency
CDS	County Development Strategy
CPC	County Partnership Council
DA	Disadvantaged Areas
DADP	Disadvantaged Areas Development Programme
EC	European Commission
EU	European Union
EUROSTAT	The Statistical Agency of the European Union
GDP	Gross Domestic Product
HDI	Human Development Index
IPA	Instrument for Pre-accession
MADA	Mountainous Areas Development Agency
METE	Ministry of Economy, Trade and Energy
MoF	Ministry of Finance
NDSI	National Strategy for Development and Integration
NPCRD	National Partnership Council for Regional Development
NPDC	National Programme for the Development of Counties
NUTS	Nomenclature Units of Territorial Statistical
RDCS	Regional Development Cross-cutting Strategy
WG	Working Group (Sub-Committee of the County Partnership Council responsible for the development of disadvantaged areas)

Glossary

Activity: Action to be supported in a measure.

County: a region of Albania known in Albanian as “Qark”

National Programme for the Development of Counties: A programme under the Regional Development Cross-Cutting Strategy whose objective is to facilitate the establishment of a single regional development planning and management system in the country

County Development Agency: A not-for-profit agency established at county level. It promotes and supports the development efforts across the county. The CDA will assist the County Partnership Councils in their work, undertake research, facilitate consultations with local interest groups, prepare strategic documents and provide support in the implementation of the County Development Strategy. Institutionally, there are several options for the structure and nature of the CDA, but each will have to be formally accredited by the Government prior to its formal recognition as a CDA.

County Development Agreement: an agreement between central government and the county on the financial support commitments from central government, the county and municipalities/communes for the realisation of agreed priorities within the county development strategy.

County Development Strategy: The socio-economic development plan for the county prepared with the full participation of all relevant development stakeholders at that level.

County Partnership Council: An advisory and consultative committee at county level whose membership will be drawn from: All relevant state bodies working at county level: County, municipality and commune government; Social partners and business and trade unions at county level; Civil society organisations (i.e. NGOs); representatives of central government.

Disadvantaged Areas Development Programme: A programme under the Regional Development Cross-Cutting Strategy whose objective is to eliminate the disparities between disadvantaged areas and the Albanian national average.

Disadvantaged Areas: Areas categorised by the Government as being disadvantaged. Disadvantaged Areas split into two categories: Disadvantaged communes/municipalities (LAU 2) and Disadvantaged Counties (NUTS 3). Disadvantaged communes and municipalities are those which are designated as being in Categories 1 and 2 and Disadvantaged Counties as being in Categories 1 and 2 under the new Model of Socio-economic development (see Model of socio-economic development).

Evaluation: the evaluation of public intervention consists of judging its value in relation to explicit criteria, and on the basis of information that has been specially gathered and analysed.

Goal (or aim): the overall statement of strategic intent for the strategic plan as a whole.

Impact: the wider, long-term influence of a development action or intervention. (e.g. numbers in employment after one year/ increased business activity due to easier access)

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

Interreg: An EU initiative designed to strengthen economic and social cohesion throughout the EU, by fostering the balanced development of the continent through cross-border, transnational and interregional cooperation. Special emphasis is placed on integrating remote regions and those which share external borders with the candidate countries for accession to the EU.

Intervention: Government means to influence market behaviour in order to improve current situation (to reach government policy objectives).

Joint development projects: Projects of cooperation between two or more counties and identified in the County Development Strategies of the counties wishing to cooperate amongst themselves. Such “Joint development projects” will be encouraged through increased allocation of funding, reduced co-financing requirements and selective weighting.

Local Administrative Unit 2: An analytical sub-division of the country - formerly described as NUTS level 5.

Measure: The basic unit of programme management; the means by which a priority is implemented over several years which enable operations to be financed.

Model of Socio-Economic Development: A model which will be developed to allow clear categorisation of both counties and municipalities/communes based on their level of socio-economic development. The primary purpose of the new model will be the objective measurement of social and economic differences between territorial units. The model is used to designate certain categories of disadvantage for both local self-government units and counties (see Disadvantaged Areas).

Monitoring: An exhaustive and regular examination of the resources, outputs and results of public interventions. Monitoring system information is obtained primarily from operators and is used essentially for steering public interventions. When monitoring includes a judgement, this judgement refers to the achievement of operational objectives. Monitoring is generally the responsibility of the actors charged with implementation of an intervention.

National Partnership Council for Regional Development: a national level advisory body composed of the representatives of the public (central state administration, counties, municipalities and communes), private and civil sectors and will be established in accordance with the Law on Regional Development. It is established for the purpose of providing advice related to the preparation, implementation and monitoring of the Regional Development Cross-Cutting Strategy, coordinating various subjects and participating in regional development planning. The secretariat function for the NPCRD is provided by the METE.

Needs: problem or difficulty affecting concerned groups, which the public intervention aims to solve or overcome.

NUTS: The “Nomenclature of Territorial Statistical Units (NUTS)” established by the Statistical Office of the European Communities (EUROSTAT) in co-operation with the national institutions for statistics. The NUTS system provides a statistical and administrative sub-division of the country.

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

NUTS 3: The third level of sub-division of a country. NUTS 3 regions are expected to have a population of between 150,000 and 800,000. In Albania this might equate to the normative region – the county.

Objective: The intended purpose of undertaking activities; an objective adds detail to the aim, refines the focus and refers forward to next level of a strategy, the priority.

Outputs: The goods and services produced by an intervention (e.g. training courses for the long-term unemployed).

Partnership: Cooperation between stakeholders (public, private and NGO actors) to work together to achieve shared objectives.

Policy: a set of different activities (programmes, procedures, laws, rules) directed towards a single goal or general objective. These activities are often accumulated incrementally through the years.

Priority: Objectives which have preference in implementation with respect to a broad strategy. It defines the broad areas of policy and strategic intervention.

Programme: organised set of financial, organisational and human resources mobilised to achieve an objective or set of objectives in a given lapse of time. A programme is delimited in terms of a schedule and budget. The three main steps in the life-cycle of the programme are design, implementation and ex post evaluation.

Project: non-divisible operation, delimited in terms of schedule and budget, and placed under the responsibility of an operator.

Region: In this document means not a specific but a generic sub-division of national territory. Regions may either be normative regions: the expression of a political will; their limits are fixed according to the tasks allocated to the territorial communities, according to the sizes of population necessary to carry out these tasks efficiently and economically, and according to historical, cultural and other factors; or analytical (or functional) regions: defined according to analytical requirements; they group together zones using geographical criteria (e.g., altitude or type of soil) or using socio-economic criteria (e.g., homogeneity, complementarity or polarity of regional economies).

Selective weighting: The utilisation of special criteria that favour the selection of projects in the “disadvantaged areas”

Strategy: selection of priority actions according to the urgency of needs to be met, the gravity of problems to be solved, and the chances of actions envisaged being successful. In the formulation of a strategy, objectives are selected and graded, and their levels of ambition determined.

Vision: a statement of desired future situation; vision is derived from the goal.

Working Group for Disadvantaged Areas: A sub-committee of the County Partnership Council that will participate in the preparation and management of the “Development of Disadvantaged Areas” section of the County Development Strategy for their county.

0. Executive Summary

0.1 Introduction

1 The Strategic Planning Committee at the Council of Ministers has sanctioned the formulation of a Regional Development Cross-cutting Strategy (RDCS) and has designated the Ministry of Economy to lead its preparation. The Government of Albania has identified the need for an integrated, coherent regional policy based on its growing concern over the widening gaps in socio-economic performance and fortunes between different parts of the country. The RDCS is intended as a key element of the new National Strategy for Development and Integration (NSDI).

2 This cross-cutting regional development strategy has undergone a full and extensive consultation process with the Government's partners.

3 A further document – the Action Plan for the RDCS - sets the actions and timeframe for the implementation of the strategy.

0.2 Regional Development in Albania

4 The territorial division of Albania is governed by Law No. 8652/00 (on the organisation and functioning of Local Governments) and Law 8653/00 (on Administrative Territorial division). This legislation divided the country into two levels: counties (qarks) and communes/municipalities. The counties represent a territorial administrative unit with an average population (in 2004) of 260,605 (see map below). The counties are sub-divided into districts (but the latter ceased to be a normative sub-division of the country following the passage of the two laws described above).

5 Commune, municipality and county councils are the representative organs of the local governments. The communes and municipalities are formed by directly elected representatives, whilst the county council members are elected from the commune and municipal councils within the county's jurisdiction by their peers on those councils. The Mayors of the Municipalities and the Chairpersons of the Commune Council are *ex officio* members. County Councils have legal responsibility for planning and coordinating actions of regional interest (regional development planning). However, limited resource base (fiscal and human) and limited acceptance by both the commune/municipality and national level has meant that the county councils have yet to fulfil this role effectively.

6 Regional disparity is present in an extreme form in Albania: Poverty is 66% higher in rural areas than in Tirana and 50% higher in rural areas than in other major urban centres. Tirana has a GDP index of 0.772 and compared to a mere 0.252 for mountainous areas¹ and a Human Development Index (HDI) of 0.830 as against the mountain area HDI score of 0.632.²

7 The disparities are extreme: for example, the unemployment rate in Kukës is over 3 times higher than in Tirana, the poverty head county ration in Kukës is over twice that in Vlorë, people in Vlorë are 2.5 times more likely to have access to piped water than someone in Dibër, residents

¹ *National Human Development Report Albania 2005*. Sustainable Economic Development Agency, Tirana and UNDP, March 2005.

² As UNDP's *National Human Development Report Albania 2005* points out (Chapter 5, page 89) the mountain area HDI is at the bottom of the medium human development table just above the Solomon Islands (124th) with a HDI of 0.624.

of Tirana are 2.5 times more likely to have access to medical visits than those in Kukës and the drop-out rate from compulsory education is 10 times higher in Kukës than in Vlorë.

8 Internal migration is resulting from such massive internal disparities: between 2005 and 2006 alone the population of Tirana increased by 137,000 and that of Durrës by 45,000 whilst Dibër's population shrank by 43,000 (a 23% reduction in the county's population) and Kukës by 30,000 (a staggering 27% reduction in the county's population)³.

9 The measurement of disadvantage at district level indicates that regional disparity is unequally distributed even within qarks. The same pattern of unequal distribution is shown at commune level – within the district – demonstrating that there exist disadvantaged communes even within less disadvantaged counties.

0.3 The Government's Vision

10 The Government's vision statement for the RDCS is: "A balanced and sustainable socio-economic growth among the regions of Albania, in general, and of mountainous and peripheral areas, in particular, in order to support a fast development of the whole country and accelerate the integration processes into the EU and NATO".

11 The vision will be achieved through two strategic objectives:

- Strategic objective 1: is aimed at ensuring that all counties are enabled to contribute to sustainable development and competitiveness – and thus reduced social and economic disparities across the country.
- Strategic objective 2: is aimed at setting in place an efficient management framework for regional development.

12 Strategic objective 1 will be achieved through the delivery of two programmes: the National Programme for the Development of Counties and the Disadvantaged Areas Development Programme.

13 Strategic Objective 2 will be achieved through the promulgation of the Law on Regional Development and associated secondary legislation and the development of the necessary institutional structures to manage its regional policy.

0.4 The National Programme for the Development of Counties (NPDC)

14 The purpose of this programme is to facilitate the establishment of a single regional development planning and management system in the country.

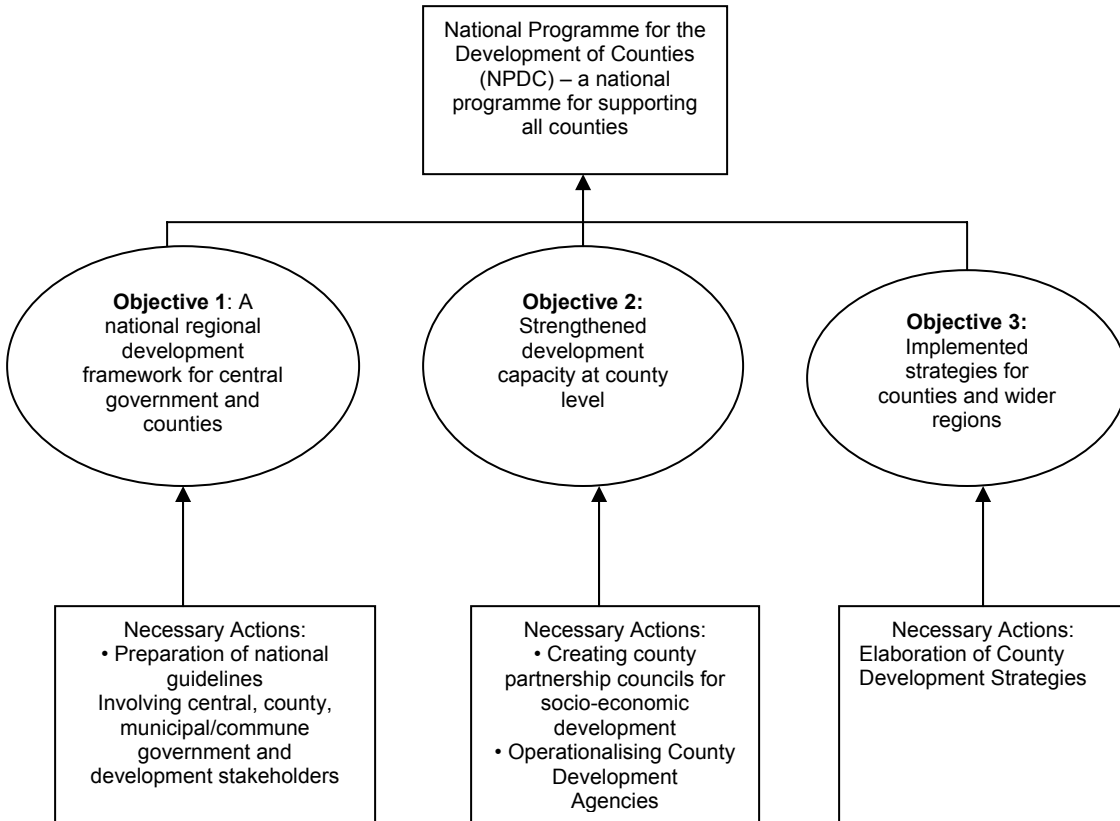
15 The NPDC introduces a set of new elements into regional policy of Albania:

- A single policy framework for the socio-economic development of counties, taking into account their specific development needs;
- A new partnership between national, county municipal and commune stakeholders – the County Partnership Council;

³ Source: Instat - unpublished

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

- A single socio-economic development programming document for the county – the County Development Strategy - and a single local agency to coordinate its implementation – the County Development Agency.
 - The concept of “county development agreement”: an agreed multi-annual strategic, operational and financial plan setting out central government support for development priorities in each of the counties;
- 16 The objectives and activities of the NPDC are presented in the following figure.



0.5 Disadvantaged Areas Development Programme (DADP)

17 The second instrument of the Strategy is the Disadvantaged Areas Development Programme (DADP), aiming at eliminating the disparities between disadvantaged areas and the Albanian average by enabling national, regional and local actors to make a collaborative effort to maximise the development potential of those areas.

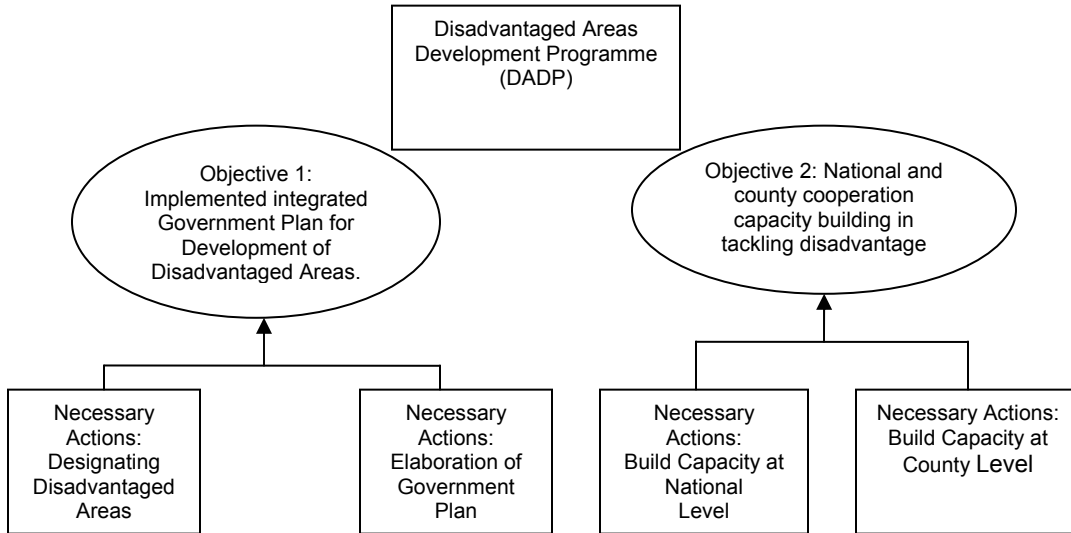
18 Its key features are:

- A standardised basis for defining regional disadvantage through use of an agreed model of the level of socio-economic development;
- The designation of disadvantaged areas for a period of 5 years;
- A Government Plan for the Development of the Disadvantaged Areas and the allocation of a special budget line for the Development of Disadvantaged Areas in order

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

to operate special support schemes for both disadvantaged qarks and disadvantaged communes and municipalities.

19 The objectives and activities of the DADP are presented in the following figure:



0.6 Legal Framework for Regional Development

20 A specific Law on Regional Development will be essential to achieve cohesion and coherence in a complex, cross-sectoral area requiring significant policy and management coordination. The Law on Regional Development will regulate the goals and principles with respect to the management of regional development in the Republic of Albania. The administrative sub-division of the Republic of Albania and the system of local and regional government, which form an important dimension of the regional policy framework, would remain unchanged by the proposed Law on Regional Development.

0.7 The Institutional Framework for Regional Development

21 A range of consultative structures and implementation structures will be required at national and regional level.

22 These will be:

- The National Partnership Council for Regional Development: bringing together government ministries, county and local government, the social partners and civil society.
- The County Partnership Councils: bringing together the same range of actors – but at county not national level.

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

- The Department for Integrated Regional Development: a much expanded department within METE necessary for the management of Albania's regional policy and for the future implementation of EU regional policy.
- The County Development Agency: a structure for managing the implementation of the county development strategy and action plan. It need not be a new structure.

0.8 Resource implications

23 The majority of financing for the RDCS will be contained within the sectoral strategies. Thus under the National Programme for the Development of Counties the main financing element is financial support from the Central Government to implement elements of the investment priorities and projects described within the County Development Strategy and agreed through the County Development Agreement. Financial support from the Central Government to implement elements of the investment priorities and projects described within the County Development Strategy will broadly speaking be budgetary neutral; it requires no additional funding allocations, but rather an agreement that line ministries will utilise an element of their existing national investment budget to help support investments foreseen in the County Development Strategy and which are in accordance with national investment priorities.

24 The nature of the line ministry investment (direct investment, co-financed investment with a county or municipality/commune, or delegated control of funds to a county or municipality/commune for their implementation) will vary and be subject to negotiation and agreement between the line ministry, METE and the County. The level of support will vary depending on the "Degree of socio-economic development" classification of each county. The final agreement will be ratified in a County Development Agreement signed between the Government and the County. These sums will be contained within the budgets of the different sectoral strategies.

25 Similarly, the vast majority of financing for actions in the disadvantaged areas should come from sectoral strategies (include the commune/municipality competitive grant).

26 The specific funding requirements of the RDCS (not contained within the sectoral strategies) relate to support to disadvantaged qarks and disadvantaged municipalities and communes.

1. Overview

1.1 Introduction

27 The Strategic Planning Committee at the Council of Ministers has sanctioned the formulation of a Regional Development Cross-cutting Strategy (RDCS) and has designated the Ministry of Economy to lead its preparation.

28 The Government of Albania has identified⁴ the need for an integrated, coherent regional policy based on its growing concern over the widening gaps in socio-economic performance and fortunes between different parts of the country. As Albania seeks to fully integrate its economy and its markets in the global context and, in particular in the EU single market, there is an imperative to ensure that all areas of the country are capable of competing there.

29 The RDCS is intended as a key element of the new National Strategy for Development and Integration (NSDI)⁵ providing the coordinated approach to the sustainable socio-economic development of all of the parts of the country and linking a range of central government ministries and institutions with socio-economic actors and institutions across the country in a concerted long term “top-down – bottom-up” effort to achieve a more balanced development of the country and to reduce socio-economic disparities. As such, it will represent a significant cross-sectoral, area-focussed strand of the NSDI⁶.

30 The draft strategy was prepared in September 2007 and has been the subject since of extensive consultation with key local and international stakeholders to arrive at the current draft. The consultation process is described in annex 1.

1.2 Regional Development in Albania

1.2.1 Administrative and statistical sub-division of Albania

31 The territorial division of Albania is governed by Law No. 8652/00 (on the organisation and functioning of Local Governments) and Law 8653/00 (on Administrative Territorial division).

32 This legislation divided the country into two levels: counties (qarks) and communes/municipalities.

33 The counties represent a territorial administrative unit with an average population (in 2004) of 260,605 (see map below). The counties are sub-divided into districts (but the latter ceased to be a normative sub-division of the country following the passage of the two laws described above).

⁴ Through its Government Programme of September 2005 and its National Strategy for Socio-Economic Development of 2001

⁵ The Integrated Planning System, which was approved through Decision 692 of the Council of Ministers in November 2005, determines the strategic planning framework. This has been further elaborated through: (a) the decisions of the Strategic Planning Committee on strategic planning (March 2006); and (b) the National Strategy for Development and Integration Preparation Instruction (May 2006)

⁶ The RDCS will be one of ten cross-cutting strategies will play the role of coordination instruments for priority policy areas that do not fall under the remit of a single line ministry.

The sub-division of Albania into Qarks



REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

34 The further sub-division of the country is as shown in the following table:

County	District	Cities	Municipalities	Communes	Villages
Berat	3	5	5	20	245
Dibër	3	7	4	31	280
Durrës	2	6	6	10	106
Elbasan	4	7	7	43	396
Fier	3	6	6	36	278
Gjirokastrë	3	6	6	26	271
Korçë	4	6	6	31	345
Kukës	3	3	3	24	187
Lezhë	3	9	5	16	168
Shkodër	3	6	5	28	272
Tiranë	2	6	5	24	233
Vlora	3	7	7	19	199
Total	36+1	74	65	308	2,980

Source: Institute of Statistics

35 Commune, municipality and county councils are the representative organs of the local governments. The communes and municipalities are formed by directly elected representatives, whilst the county council members are elected from the commune and municipal councils within the county's jurisdiction by their peers on those councils. The Mayors of the Municipalities and the Chairpersons of the Commune Council are *ex officio* members.

36 County Councils have legal responsibility for planning and coordinating actions of regional interest (regional development planning). However, limited resource base (fiscal and human) and limited acceptance by both the commune/municipality and national level has meant that the county councils have yet to fulfil this role effectively.

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

1.2.2 Regional disparities in Albania

37 Albania does experience significant problems of regional disparity as the following table demonstrates:

Nr	County	Population (number) by INSTAT	Poverty headcount ratio / national average %	Unemployment ratio/ national average %	Locally generated revenue ratio / national average %	Water supply ratio / national average %	Medical visits ratio / national average %	Completion of compulsory education/ national average %
1	Berat	181,901	96	99	74.6	114	107	368
2	Dibër	166,367	59	85	61.4	54	70	55
3	Durrës	280,996	102	117	106	131	68	53
4	Elbasan	380,593	80	110	70	83	62	147
5	Fier	380,737	85	133	77	91	83	76
6	Gjirokaster	80,646	131	118	112	97	132	385
7	Korçë	263,586	94	126	78	97	127	202
8	Kukës	102,036	63	42	74	91	56	54
9	Lezhë	159,882	69	61	78	58	89	162
10	Shkodër	250,351	77	52	67	74	120	75
11	Tiranë	677,871	108	168	160	123	140	
12	Vlorë	202,295	139	89	139	132	92	506
	TOTAL	3,127,261						

MoLSA&E

Source: INSTAT INSTAT O MOI MoPWTT MoH MoES

38 Regional disparity is present in an extreme form in Albania: Poverty is 66% higher in rural areas than in Tirana and 50% higher in rural areas than in other major urban centres. Tirana has a GDP index of 0.772 and compared to a mere 0.252 for mountainous areas⁷ and a Human Development Index (HDI) of 0.830 as against the mountain area HDI score of 0.632.⁸

39 The disparities are extreme: for example, the unemployment rate in Kukës is over 3 times higher than in Tirana, the poverty head county ration in Kukës is over twice that in Vlorë, people in Vlorë are 2.5 times more likely to have access to piped water than someone in Dibër, residents of Tirana are 2.5 times more likely to have access to medical visits than those in Kukës and the drop-out rate from compulsory education is 10 times higher in Kukës than in Vlorë.

40 Internal migration is resulting from such massive internal disparities: between 2005 and 2006 alone the population of Tirana increased by 137,000 and that of Durrës by 45,000 whilst Dibër's population shrank by 43,000 (a 23% reduction in the county's population) and Kukës by 30,000 (a staggering 27% reduction in the county's population)⁹.

⁷ *National Human Development Report Albania 2005*. Sustainable Economic Development Agency, Tirana and UNDP, March 2005.

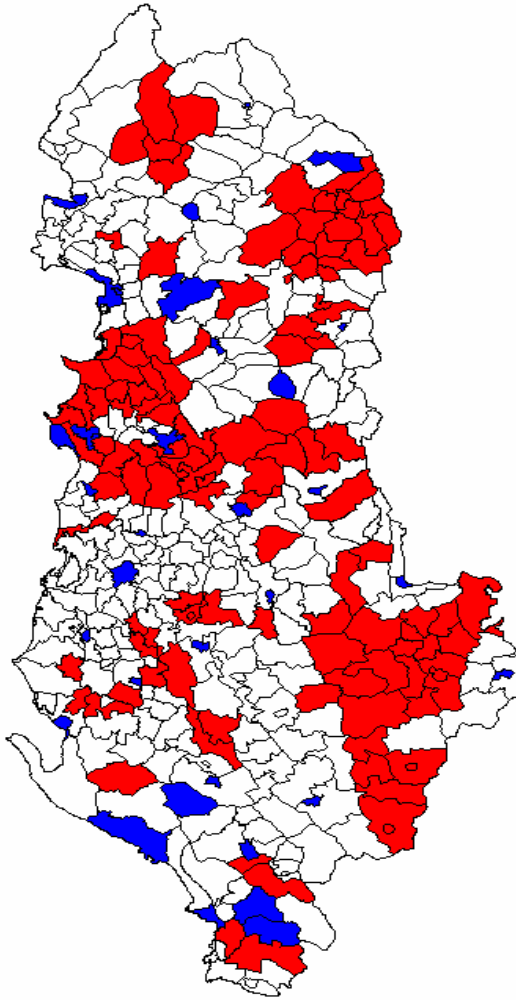
⁸ As UNDP's *National Human Development Report Albania 2005* points out (Chapter 5, page 89) the mountain area HDI is at the bottom of the medium human development table just above the Solomon Islands (124th) with a HDI of 0.624.

⁹ Source: Instat - unpublished

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

41 The same pattern of unequally distribution is shown at commune level – within the district – demonstrating that there exist disadvantaged communes even within less disadvantaged counties.

Commune Level Head Count Ratio versus District Level Head Count Ratio



Commune Level HDC Estimates Compared to District Level HDC Estimates

- Significantly less poor than District Level mean
- No Statistically Significant Difference
- Significantly poorer than District Level mean

Source: Poverty and Inequality Mapping in Albania, World Bank, June 2003

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

1.2.3 Existing instruments to address regional disparity

42 The Government's system of unconditional financial transfers to communes and municipalities to fund partially their expenses seeks to take into account regional disadvantages in its basis of calculation. The basis of calculating the grant is complex and primarily based upon population, but allows special support for:

- Communes and municipalities whose tax base (on small businesses and vehicle registrations) is significantly lower than the national average to be compensated by transfers from those communes and municipalities whose tax base was significantly higher than the national average (fiscal equalisation).
- Transitory support for those communes and municipalities whose tax base was lower than the previous year by transfers from those whose tax base was higher than the previous years (transitory adjustment).
- A guaranteed minimum income per capita for communes and municipalities (1900 Lek/capita for communes and 2900 Lek/capita for municipalities in 2006).
- A justice coefficient which aims to ensure that communes/municipalities which have received a lower than average investment in roads over the previous four years are compensated.
- Communes/municipalities located in mountainous areas are compensated.
- Municipalities in need are also given special compensation.

43 The Government's support to counties is also primarily based on population, but has a geographic coefficient which aims to provide special support if the county is hilly or mountainous.

2. Vision, priorities and goals

2.1 Vision

44 The Government's vision statement for the RDCS is: "A balanced and sustainable socio-economic growth among the regions of Albania, in general, and of mountainous and peripheral areas, in particular, in order to support a fast development of the whole country and accelerate the integration processes into the EU and NATO".

45 This vision is further specified in goals, strategic objectives and priorities.

2.2 Goals

46 The goals of the RDCS are:

- Reduction in the current inequality of growth among regions;
- Revitalisation of highly disadvantaged areas (those isolated from mainstream development processes)
- Prevention of emergency situations which may rise from new instances of imbalanced growth
- Establishment of the political and legal broad-based platform for a stable development of regions, which shall prevent distorting and preferential policies in issues related to economic and social development of regions

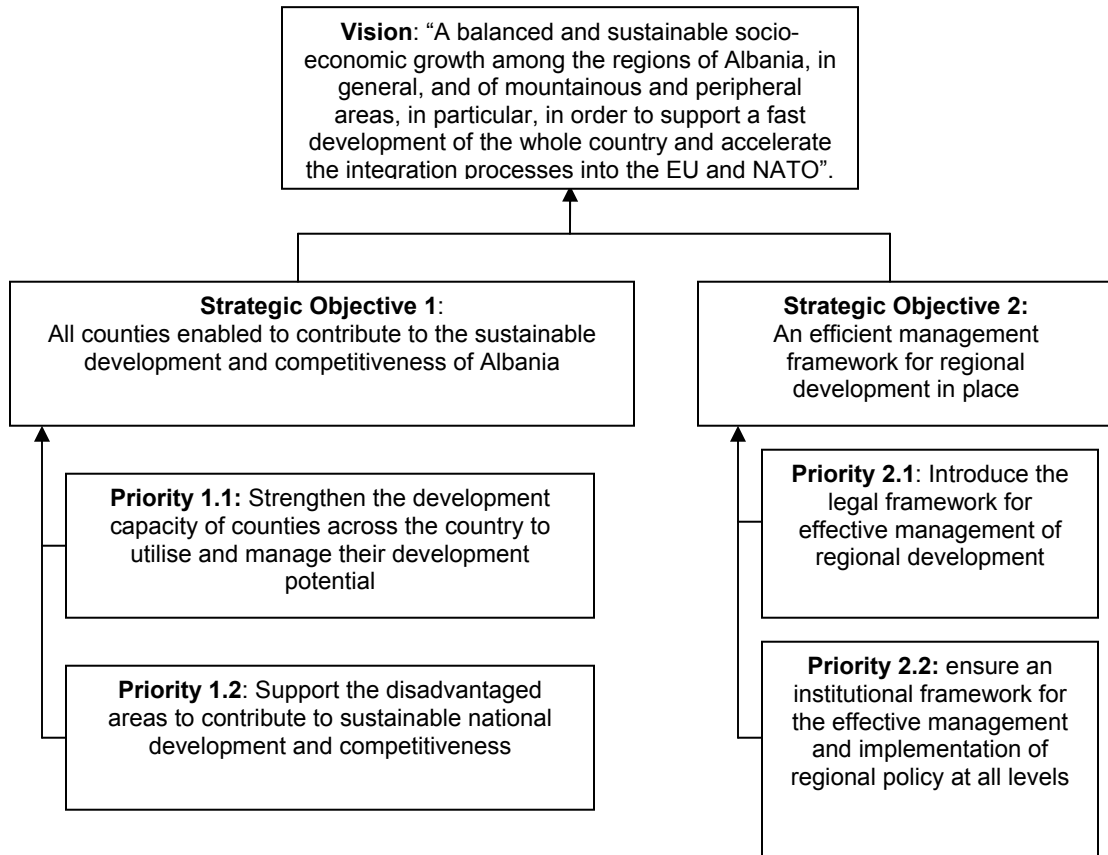
2.3 Strategic Objectives

47 The goals will be achieved through two strategic objectives: the first strategic objective is aimed at ensuring that all counties are enabled to contribute to sustainable development and competitiveness – and thus reduced social and economic disparities across the country

48 The second strategic objective aims at setting in place an efficient management framework for regional development.

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

Strategy: Vision, objectives, and priorities



2.3.1 *Strategic Objective 1: All counties enabled to contribute to the sustainable development and competitiveness of Albania*

49 This objective will be achieved through addressing two key priorities:

- Strengthening the development capacity of counties across the country to utilise and manage their development potential
- Support the disadvantaged areas to contribute to sustainable national development and competitiveness

Priority 1.1: Strengthen the development capacity of counties across the country to utilise and manage their development potential

50 Regional Development Plans have already been prepared for several individual regions of Albania. These were never fully implemented partially because an effective development partnership between the central and regional levels was never established. The Regional Development Plans were not linked into the national development planning or budgetary process and were therefore seen as peripheral; implementation has been limited. There is a need for central government to mobilise and enter into a new development partnership with socio-economic actors at county and inter-county level. This new partnership will be based upon a new planning document – the County Development Strategy (CDS). The CDS would be the main planning document for the sustainable socio-economic development of each county. The action plan of the CDS would be the detailed operational document allowing implementation of the CDS. The objectives of the County Development Strategy would be:

- To act as a consensus agreement between all relevant national, county, municipal and commune stakeholders as to the development needs of the county (with respect to economic development, employment and training, infrastructure needs, environment, local, urban and rural development, tackling poverty and social exclusion) and thus to provide the basis for negotiating, harmonizing and financing the activities defined within the strategy.
- To address shared strategic objectives with other neighbouring counties as well as, where appropriate, cross-border and inter-regional needs and opportunities.
- To provide the basic guidelines for local development plans and projects of the municipalities and communes which comprise the county.

51 Government would prepare “National Guidelines for the preparation of the CDS”: These would provide the wider policy context and procedures for elaborating the CDS, also specifying the national and EU priority development themes. Within this framework each CDS (and its accompanying Action Plan) would be required to have a mandatory structure and be subject to ex ante evaluation (which would seek to ensure that the National Guidelines have been followed, that the budget is realistic in relation to the national budget, the county budget and municipal budgets and that the implementation timetable is realistic).

52 Once agreement has been reached between all parties on the Action Plan that is to be financed then this will be formalised through a “county partnership agreement” signed by those same parties committing themselves to the agreed investments.

Policy Instrument

53 The instruments for this priority are the *National Programme for the Development of Counties*. This is defined in Chapter 3.

Priority 1.2: Support the disadvantaged areas to contribute to sustainable national development and competitiveness

54 Existing patterns of failing development are the consequence of multiple and often overlapping factors.

55 The inability to deal with some natural geographical handicaps, such as remoteness, hilly and mountainous terrain and poor natural resources has had a devastating impact on local livelihoods, small businesses and development prospects, generally. Many areas have witnessed a shrinking labour pool as most of the better qualified opt to leave for Tirana or abroad, reinforcing a negative cycle of declining entrepreneurship and skills scarcity.

56 Equally, the transition from many decades of centralised planning towards a globally competitive market economy has had quite a negative impact in terms of economic activity, employment and incomes in most of the less prosperous parts of the country. Some local economies, previously driven by large state conglomerates, have yet to face into the inevitability of adaptation, giving rise to large-scale underemployment, low productivity, low incomes and a culture of dependency.

57 The proposed approach is to introduce a number of innovative features in tackling the problems of the disadvantaged areas in Albania:

- A simple model which provides a single rather than multiple profile of socio-economic disadvantage as a grid for better targeting;
- Designation of disadvantage applying to different regional levels;
- State support to designated areas is linked to the development efforts at county level, not as a hand-out or top-up for covering routine needs, but actively addressing the causes of disadvantage.

Policy Instrument

58 The development instrument for this priority will be the *Disadvantaged Areas Development Programme* targeted at the development needs of the Albanian areas which are designated as lagging persistently behind the national average. Disadvantaged areas are those which are designated as disadvantaged, meeting specific economic, infrastructural, social and demographic criteria of underdevelopment.

59 The Disadvantaged Areas Development Programme is presented in Chapter 3.

2.3.2 *Strategic Objective 2: An effective management framework for regional development*

60 The second objective of the Strategy follows from the need for a unified coherent legal framework and an effective, coordinated institutional infrastructure for regional policy. This objective will impinge on every part of the realisation of the priorities under Strategic Objective 1.

61 There are two priorities under this objective:

- To create the legal framework necessary for the effective management of regional policy;
- To ensure an institutional framework for the effective management and implementation of regional policy at all levels.

Priority 2.1: To create the legal framework for the effective management of regional policy

62 The purpose of this priority is the creation of an integrated, coherent legal framework for regional development which accommodates, coordinates and refocuses existing laws for specific areas and those which regulate the relationship between central, county and municipal/commune levels of governance. The new legal framework will support the introduction of new development instruments for sustainable regional development.

63 Effective regional development policy needs a unified legal structure which provides clear guidance to policy makers and makes possible necessary actions at national and regional level.

Policy Instrument

64 The instrument to realise this priority is the proposed *Law on Regional Development* as a basis for policy development and implementation, covering management issues, providing coherent definitions and principles as well as the legal basis for an institutional and management framework. An outline of the proposed legal framework is presented in Chapter 3.

Priority 2.2: To ensure an institutional framework for the effective management and implementation of regional policy at all levels

65 The purpose of this priority is to improve the institutional arrangements at national level necessary for the effective coordination, administration and management of regional policy.

66 Many institutions are currently involved in the implementation of government programmes, which are often overlapping and uncoordinated. Effective regional policy requires the coordination of interventions. There is a need for clear designation of roles and responsibilities and a stronger institutional base for inter-ministerial coordination than is currently the case.

67 The preparation, implementation and management of regional policy demands skills and systems related to the policy life cycle (programming, strategic planning and management) and systems for monitoring the results and impact. Skills acquisition and development of systems are important issues in themselves and pre-conditions for the implementation of EU financed programmes both before and after accession to the EU.

Policy Instrument

68 The RDCS involves the reorganisation and strengthening of the institutional arrangements for managing, coordinating and delivering integrated regional development. This will be achieved

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

through a series of actions for the short, medium and long term, aiming at improving and strengthening institutional arrangements at national level, including those for consultation and partnership (see Chapter 3).

3. Policies

3.1 *The National Programme for the Development of Counties (NPDC)*

69 The purpose of this programme is to facilitate the establishment of a single regional development planning and management system in the country. The programme strengthens the capacity for managing development and improves the absorption of public funds by virtue of better coordination and the integration of development interventions and services at county and local level.

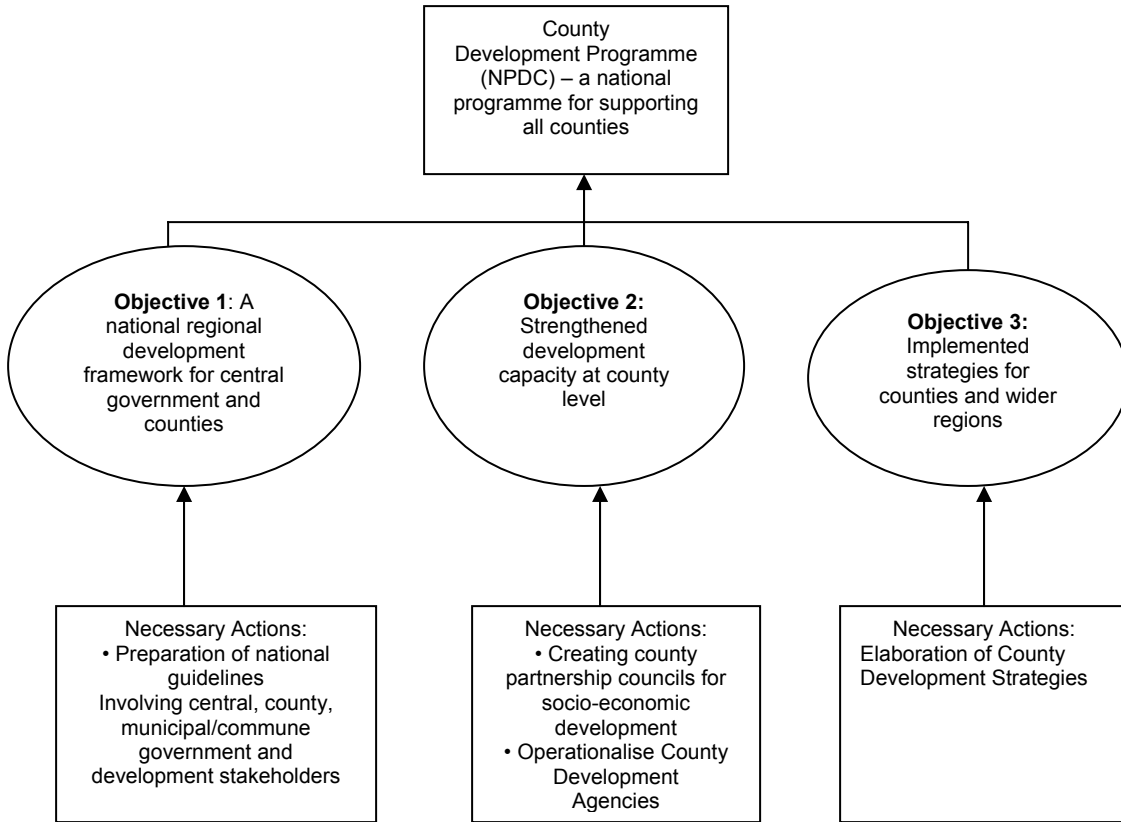
70 The NPDC introduces a set of new elements into regional policy of Albania:

- A single policy framework for the socio-economic development of counties, taking into account their specific development needs;
- Partnership between national, county municipal and commune stakeholders;
- A single socio-economic development programming document for the county – the County Development Strategy - and a single local agency to coordinate its implementation – the County Development Agency.
- The concept of “county development agreement”: an agreed multi-annual strategic, operational and financial plan setting out central government support for development priorities in each of the counties;
- Effective monitoring, evaluation and reporting systems.

Objectives and activities

71 The objectives and activities of the NPDC are presented in the following figure.

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY



Objective 1: A national regional development framework for central government and counties

72 The first objective of the NPDC is to create a national regional development framework within which central government and development stakeholders at county level work together to address shared development goals.

73 The programme provides a common development framework within which central policy and programme managers, in cooperation with county-based institutions including all socio-economic groups, can contribute to the definition of clear policy directions for development at the level of the county.

Activity 1: Preparation of national guidelines

74 The main activity under this objective is to prepare a set of strategic *national guidelines* which will allow all the relevant stakeholders in the counties/regions to align local needs with national socio-economic priorities.

75 The strategic national guidelines will encourage County Partnership Councils in the preparation of their county development strategies to take account of the development needs within the county boundary – social, economic, environmental, physical infrastructure – consistent with overall national development priorities. They will place the focus firmly on the priorities defined in the Lisbon and Gothenburg Councils – inculcating a development culture of competitiveness, innovation and employment. Linkage to Albania’s national development priorities will be made through clear linkage to Albania’s national development planning

documents and to future EU Structural Funds through reference to Albania's planned use of the Instrument for Pre-Accession.

76 The national guidelines will also set out the scope of the county development strategy to include reference to the development needs of disadvantaged areas within the county boundary as well as themes of national interest (such as environment protection, sustainability and equality). County development strategies will include a chapter on cross-border and inter-county development needs.

77 The national guidelines will include as key elements:

- Overall development goals and targets for the NPDC
- Roles, responsibilities and relationships of the different parties to the framework
- Scope, coverage and structure of the county development strategies
- Arrangements for management of the NPDC and for financial assistance

Activity 2: Involving central, county and municipal/commune government and development stakeholders

78 The draft national guidelines will be considered by the National Partnership Council for Regional Development before referral to the Government for adoption. This will ensure these are widely debated by stakeholders at all levels prior to adoption.

79 The national guidelines will be elaborated to be appropriate for the Government's budgetary cycle and the period of the RDCS and annually reviewed with a report to Government.

Objective 2: Strengthened development capacity at county level

80 The second objective is to build and strengthen the development management capacity at county level necessary to enable all counties and wider regions to cope effectively with future development challenges changes and external shocks.

Activity 1: The establishment of partnerships that will contribute to the preparation of the county development strategy in all counties

81 The County Partnership Councils will include representatives each having its own role and influence in the regional development process and drawn from:

- All relevant state bodies working at county level;
- County Council;
- Commune and Municipal Councils;
- Social partners and business and trade unions at county level;
- Civil society organisations (i.e. NGOs).

82 In setting up the partnerships several factors are crucial for success. Firstly, it will take time - and some support - for County Partnership Councils to develop the shared working norms and values which are essential for functioning partnerships. Secondly, the skills of the members of the partnership will have to be further developed, requiring training and technical assistance.

Activity 2: The formation of a County Development Agency (CDA) within each county.

83 The CDAs will support the County Partnership Councils of their county. The County Development Agency will represent a multidisciplinary team that promotes and supports the development efforts across the county. The CDA will assist the County Partnership Councils in their work, undertake research, facilitate consultations with local interest groups, prepare strategic documents and provide support in the implementation of the County Development Strategy.

84 The County Council will determine based on its authority, following discussion with the County Partnership Council, whether the CDA should be based upon the existing Department of Programming and Development within the County Council structure, an already-established alternative structure at county level or a new structure. In making the decision as to the nature of the CDA the county council will need to give careful consideration as to the structure which is most likely to engender support (both moral and financial) from other local stakeholders and from foreign donors. If the CDA is established as other than a department of the County Council then will be established legally by the County Council and be legally answerable to the County Council, but the County Council may wish to include other key county stakeholders on its board of directors.

85 It will be for the County Council to determine the relationship between the CDA and any existing county-level development agencies, but it should be clear that there can only be one recognised CDA.

86 It should be clear that institutionally, there are several options for the structure and nature of the CDA, but each will have to be formally accredited by the Government prior to its formal recognition as a CDA. The main factors that the Government will consider are whether: (a) it is the sole proposed vehicle for this purpose of the Qark Council in question; (b) it is operated on a not-for-profit basis; (d) it is the only such vehicle to be operated in the qark in question; and (d) it meets any other accreditation criteria set by METE.

Objective 3: Implemented strategies for counties and wider regions

87 The third objective of the NPDC is to prepare a coherent needs-based integrated County Development Strategy (CDS) for the sustainable socio-economic development of each county based upon the full participation of all relevant development stakeholders at that level. A possible basis for the CDS is shown at annex 3.

Activity 1: Preparation of County Development Strategies

The National Guidelines will provide the wider policy context and procedures for elaborating the CDS, also specifying the national and EU priority development themes. The County Development Strategy will address the development needs of the county (economic development, employment and training, infrastructure needs, environment, local, urban and rural development, tackling poverty and social exclusion) and will require the active participation of many different interest groups. It will also address shared strategic objectives with other neighbouring counties as well as cross-border and inter-regional needs and opportunities. Each CDS will be required to have mandatory chapters covering the following:

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

- Socio-economic needs of the county, including larger towns;
- Disadvantaged areas needs;
- Cross-border and inter-regional priorities;
- Integration with local development plans (where these exist).

88 The County Development Strategy will build on any existing Regional Development Strategies or other local planning documents and not be prepared in total isolation.

89 Cooperation between regions will be supported through encouragement of “**Joint development projects**” which will be identified in the CDS of counties wishing to cooperate amongst themselves. Such “Joint development projects” will be encouraged through increased allocation of funding, reduced co-financing requirements and selective weighting.

90 The CDS will be the subject of negotiations with central government institutions concerning the investment priorities and projects to be financially supported by central government for the realisation of the strategy. This agreement will be laid down in a **County Development Agreement** between County and Central Government.

91 The degree of socio-economic development of a county will also be taken into consideration by central government institutions in determining the basis of their financial support through the County Development Agreement.

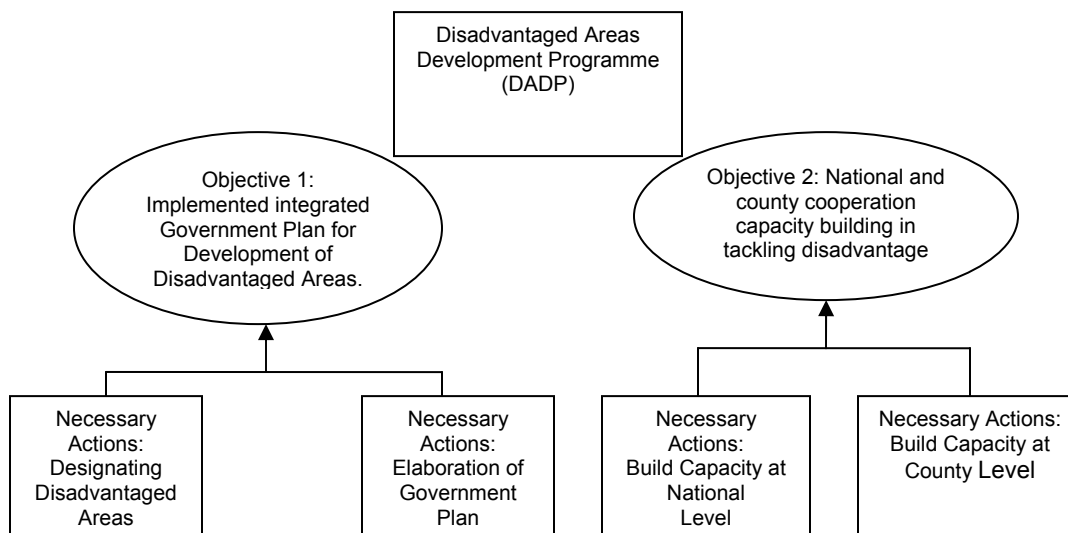
3.2 Disadvantaged Areas Development Programme (DADP)

92 The second instrument of the Strategy is the Disadvantaged Areas Development Programme (DADP), aiming at eliminating the disparities between disadvantaged areas and the Albanian average by enabling national, regional and local actors to make a collaborative effort to maximise the development potential of those areas.

Objectives and activities

93 The objectives and activities of the DADP are presented in the following figure:

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY



The assessment of disadvantage

94 The assessment of disadvantage will be based on the values of an index of level of socio-economic development. This will be based upon the weighted calculation of several indices. These will be:

- Poverty head count/national average (20% weighting)
- Unemployment rate/national average (20% weighting).
- Locally generated income/national average (10% weighting).
- Inhabitants with access to running water/national average (15% weighting).
- Number of medical visits/national average (10% weighting).
- Number completing compulsory level education/national level (10% weighting).

95 Municipalities and communes will be classified on the basis of their poverty head count ratio. Initially this will be as defined by INSTAT in their 2004 "Poverty and Inequality Mapping in Albania" report.

96 A model to assess the "Degree of Socio-Economic Development" has been developed to allow clear categorisation of counties, districts and municipalities/communes on their level of socio-economic development.

97 The primary objective of the new model is the objective measurement of social and economic differences between territorial units.

98 Under this new model the basic criteria for categorisation of counties according to degree of socio-economic development will be:

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

Categorisation of counties	Criteria
Category I	- counties with a socio-economic development index value below 50% of national average
Category II	- counties with a socio-economic development index value between 50% and 75% of national average
Category III	- counties with a socio-economic development index value between 75% and 100% of national average
Category IV	- counties with socio-economic development index value between 100% and 125% of the national average
Category V	- counties with socio-economic development index value above 125% of national average

99 A seventh indicator “population movement/national average” will be used for qarks to confirm the inclusion in either Category II or III of those who are close to the 75% threshold.

100 Municipalities and communes might be classified as:

Categorisation of municipalities/communes	Criteria
Category I	- Municipalities/communes with a socio-economic development index value below 50% of national average
Category II	- Municipalities/communes with a socio-economic development index value between 50% and 75% of national average
Category III	- Municipalities/communes with a socio-economic development index value between 75% and 100% of national average
Category IV	- Municipalities/communes with a socio-economic development index value between 100% and 125% of national average
Category V	- Municipalities/communes with a socio-economic development index value above 125% of the national average

Objective 1: Implemented integrated Government Plan for Development of Disadvantaged Areas

101 The first objective is to create an integrated national policy framework with an exclusive focus on the eradication of disadvantage and disparities and to prepare and implement an integrated Government Plan for the Development of Disadvantaged Areas. The initial activities under this objective are:

- To designate the disadvantaged areas for a period of 5 years.

- To develop, implement and monitor a Government Plan for the Development of the Disadvantaged Areas and the allocation of a special budget line for the Development of Disadvantaged Areas.

Activity 1: The designation of disadvantaged areas for a period of 5 years

102 Disadvantaged areas will be designated for a period of 5 years. The designation will be evaluated in Year 5 of the 5-year period to determine whether areas should be added or removed from the areas of designation in the next 5-year period. Areas which are determined through the Year 5 evaluation to be removed from the list of designated disadvantage areas in the next 5-year period will continue to be treated on the former status of disadvantage for the first year of the next 5-year period.

103 Disadvantaged areas will be:

- Counties designated as Category 1 or 2 using the assessment model.
- Municipalities and communes designated as Categories 1 and 2 using the assessment mode.

Activity 2: The Government Plan for the Development of the Disadvantaged Areas

104 The Government Plan for the Development of the Disadvantaged Areas will address disadvantage at two separate levels:

- Disadvantaged counties – where major issues relating to socio-economic cohesion will be addressed. The aim will be to achieve national policy objectives through impact at the county level.
- Disadvantaged municipalities and communes – where individual pockets of disadvantage within counties will be addressed. The aim will be to achieve county policy objectives through impact at the municipality/commune level.

Disadvantaged counties support

105 Support will take the form of a “top up” provided by the Government from the budget for the Disadvantaged Areas Development Programme budget in exchange for an agreement from line ministries in the areas of economic development, human resource development and infrastructure to:

- Adapt their existing measures (weighting and co-financing) or introduce new measures that will favour applications for support received from disadvantaged counties and lead to the alleviation of regional disparity.
- Commit a negotiated amount from their overall national budget for specific measures to be utilised for approved applications from disadvantaged counties.

106 Existing measures will be adjusted and the new will be prepared by Line Ministries through the process of negotiation with the Strategic Programming Department of the Ministry of Economy, Trade and Energy (METE). These will all be measures that are agreed to be in the national sphere of competence.

Disadvantaged Municipality/Commune support

107 Support will take the form of a “top up” provided by METE from the budget for the Disadvantaged Areas Development Programme budget in exchange for an agreement from counties to implement agreed elements of their CDS which will favour the catching up of disadvantaged municipalities/communes of the county.

108 Support will take the form of co-financing of investments undertaken by the county or municipalities/communes. The investments must be in an agreed sphere of competence of a county or municipality/commune.

109 The exact level of support will be negotiated with the Counties and confirmed in the County Development Agreement, but will be higher for:

- Disadvantaged municipalities/communes located in a disadvantaged county compared to disadvantaged municipalities/communes located in a non-disadvantaged NUTS 3 area.
- Category 1 disadvantaged municipalities/communes compared to Category 2 municipalities/communes.

Objective 2: Developed national and county cooperation capacity in tackling disadvantage

110 The second objective of this programme is to build capacity nationally, within counties and within the disadvantaged areas to work together in purposeful manner to tackle disadvantage.

111 This demands a new cadre of development professionals within the managing institution and other government agencies - with new skills and competences needed for managing cross-sectoral development programmes.

112 Once the designation of disadvantaged areas is finalised, County Partnership Councils in those areas will be invited to set up a **Working Group** that will participate in the preparation and management of development strategies for those areas in their county. Before starting their tasks, members of the WG will need to be trained in the skills needed for their task, such as collaborative working methods, strategy drafting, leadership and management skills. At a later stage, capacity building at the level of potential local beneficiaries to prepare and implement projects will be necessary. The staff of the CDA will also need to receive training to enable them to support the development of the poorest parts of their respective counties.

3.3 Legal Framework for Regional Development

3.3.1 The Law on Regional Development

113 It seems likely that a specific Law on Regional Development will be essential to achieve cohesion and coherence in a complex, cross-sectoral area requiring significant policy and management coordination. It should be appreciated that the formulation and enactment of the Law on Regional Development should only follow an extended consultation process on the Regional Development Cross-Cutting Strategy. Only once there is political consensus on the exact manner in which the strategy should be implemented, on the institutional structures and the financing requirements should the Law be enacted.

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

114 The Law on Regional Development would be expected to regulate the goals and principles with respect to the management of regional development in the Republic of Albania.

115 The Law should define:

- The basic concept and principles of regional development: ensuring a common understanding of the terminology to be used.
- the definition and utilisation of essential strategic planning documents for regional development
- the institutional framework and management structure for regional development
- the legal agreements necessary for implementing the development instruments foreseen under the Law
- the methodology for assessing the level of disadvantage of counties and municipalities/communes
- the financial sources for the implementation of regional development policy, and
- The methodology for the monitoring and assessment of Albania's regional development policy.

116 After its promulgation, the Law would represent the legal basis for all regional development actions and reflect the main regional policy directions and objectives. Furthermore, the Law would provide the basis for the introduction of the general principles of EU regional policy and provide the initial basis for the future use of EU structural funds.

117 Some of the main characteristics and objectives of the Law on Regional Development are:

- Promotion of the European and national principles of regional development. The Law should be built around main principles associated with EU structural funds (partnership, programming, etc.).
- The definition of the programming documents for structural policy and regional development at national and county level and their hierarchy and inter-relationships (including with documents necessary for the programming of EU support).
- Introduction of new mechanisms for cooperation between central and regional level authorities as well as mechanisms for encouraging wider cooperation. This should be made possible through instruments such as "county partnership agreement" between the state and public authorities at county level and national level.
- Insurance of clarity of concepts and terminology through the formulation of basic definitions and principles.
- The model for categorising counties and municipalities/communes according to their level of disadvantage is introduced.
- A consistent set of criteria for the designation of disadvantaged areas is established.

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

- A legal basis for the adoption of the Government Plan for the Development of Disadvantaged Areas is defined.
- Flexibility of legal framework achieved by setting the foundation for adoption of additional lower level legal acts.
- Insurance of basis for legality, monitoring and evaluation. Introducing basis for the protection of legality and for the ex-ante, mid-term, and ex-post evaluation of regional policy is one of the main objectives of legal standardisation in the field of regional development.

118 The administrative sub-division of the Republic of Albania and the system of local and regional government, which form an important dimension of the regional policy framework, would remain unchanged by the proposed Law on Regional Development.

3.3.2 *Flexibility in the Law on Regional Development*

119 Wherever possible flexibility should be achieved by not making the Law too detailed, but by making use of subsidiary legislation and regulation which can be changed more simply when the need arises. The following subsidiary regulation may well prove necessary:

- Regulation on the National Council for Regional Development (see section 3.4). The Council would be established by the Law for the purpose of coordinating regional development. Specific issues related to the structure, jurisdiction and working methods of the Council, the reimbursement of the costs of technical advisers to the Council as well as other important issues should be regulated by subsidiary regulation.
- Regulation on the National Partnership Council for Regional Development and the County Partnership Councils. Detailed issues related to the membership and structure of the Partnership Council would be regulated by subsidiary regulation.
- Regulation on County Development Agencies. The conditions governing the activities and financing of the County Development Agency would be prescribed by subsidiary regulation.
- Regulation on the National Guidelines for County Development Strategies which provide the national policy framework for the preparation of the County Development Strategies.
- Regulation on the procedure and methodology for evaluation of County Development Strategies and the overall RDCS.

3.3.4 *The County Development Agreement*

120 County Development Strategies, elaborated according to the national guidelines, will be the subject of negotiations with central government institutions. These negotiations will lead to an agreement between central government and the County on the financial support commitments from central government for the realisation of agreed priorities within the strategy. This agreement, the County Development Agreement, will cover a period of 5-years and will be the reference framework for all future development funding from the centre to the county. Subsequent

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

projects and bids for financial support from central government sources whether emanating from the partnership, or other socio-economic operators in the county, will be required to demonstrate how the bid is related to the county development agreement.

121 The County Development Agreement (see annex 4 for a possible more detailed basis) will contain:

- The definition of the contracting parties to the county development agreement
- The shared development priorities which form the basis of the county development agreement
- The total amount of funds intended for financing the implementation of the priorities with the planned annual allocation of funds and the planned financial sources (national, county, and municipalities/communes) with the share from each source.
- The basis of expenditure of the funds in the county (direct expenditure by central government, co-financing of county/municipality/commune expenditure, delegated utilisation of national budget finance by county/municipal authorities, etc.).
- The procedures, data and time limits for reporting on the activities of the realisation of the priorities and the utilisation of allocated funds.
- The procedures and timetable for monitoring and evaluating the realisation of the contracted priorities.
- Obligations with respect to evaluation of the county development agreement's achievements of pre-defined targets
- The county development agreement validity period (five years).

122 The county development agreement may also determine other issues relevant for the encouragement of the economic and social development on the territory of a county, particularly the issues related to urban development and development of the areas with development difficulties situated on the territory of a county with which the county development agreement is concluded.

3.4 The Institutional Framework for Regional Development

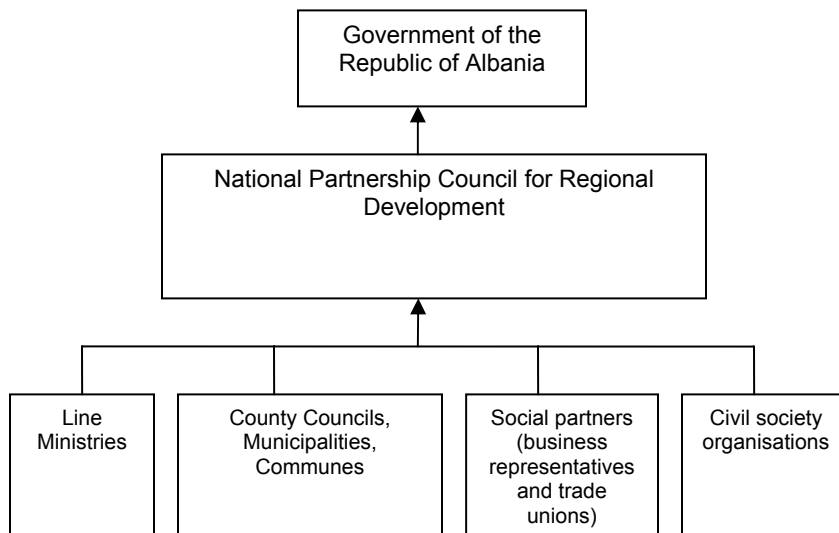
123 A significant institutional framework is necessary for effective design and management of regional policy. It should be borne in mind that the structures proposed will also be necessary for the future management of EU pre-accession funds (especially those targeted at economic and social cohesion) and, post-accession, EU Structural Funds.

124 Institutional structures can be divided into national and sub-national structures and between consultative and implementation structures.

National Structures

Consultation

3.4.1 *National Partnership Council for Regional Development (NPCRD)*



125 The NPCRD is a national-level advisory body composed of the representatives of the public (central state administration, county councils, municipalities and communes), private and civil sectors and will be established in accordance with the Law on Regional Development.

126 Within its jurisdiction, the NPCRD will be expected:

- To advise the Minister of Economy, Trade and Energy on the effectiveness and quality of the RDCS, the Plan for the Development of Disadvantaged Areas and other key regional development planning and policy documents (including those submitted to the European Commission in the framework of the receipt and usage of EU funds) and, where it deems necessary, makes proposals related to the improvement of such documents;
- To advise the Minister on the effectiveness and quality of a) the National Guidelines for the Preparation of County Development Strategies; (b) the criteria for accreditation of the County Development Agencies and (c) the model of socio-economic development; and (d) proposals as to the categorisation of disadvantage areas in accordance with the Law on Regional Development and, where it deems necessary, makes proposals related to the improvement of such documents;
- To advise the Minister on the effectiveness and quality of County Development Strategies (and on other regional documents which may be prepared to programme the use of EU funds) and, where it deems necessary, makes proposals related to the improvement of such documents;

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

- To monitor the effectiveness and quality of the implementation of the National Strategy for Regional Development, its constituent programmes and other key regional development plans and policies (including those partially or wholly financed by EU funds) in this respect it shall:
 - i. periodically review progress made towards achieving the specific targets of the Action Plan of the RDCS and other key regional development plans and policies on the basis of documents submitted by the secretariat. Such reviews shall be carried out by reference to financial indicators and indicators of implementation, results and impact which must be specified in the national plans and policy documents.
 - ii. consider and approve the annual and final reports on implementation of the Action Plan of the RDCS and other key regional development plans and policies;
 - iii. propose to the Minister any adjustment or review of the RDCS or other key regional development plans or policies to make possible the attainment of the plan's or policy's objectives or to improve its management, including its financial management;
- To submit an Annual Report to the Minister on the operation of the NPCRD and the implementation of the RDCS, including: (i) the progress made in implementing the Action Plan for the RDCS in relation to its specific, verifiable targets, with a quantification, wherever and whenever they lend themselves to quantification, of the physical indicators and the indicators of implementation, results and impact; and (b) a report on the financial implementation of the national development plan and policies.

127 The secretariat function for the NPCRD is provided by the METE.

The National Partnership Council for Regional Development should be established by the Law on Regional Development. In the interim an interim, ad hoc partnership council has been established to monitor the implementation of the Action Plan for the RDCS and the formulation of the Law on Regional Development. The current membership of the interim National Partnership Council is shown in Annex 2.

Implementation

3.4.2 Ministry of Economy, Trade and Energy (Strategic Programming Department)

128 The METE drafts the Regional Development Cross-Cutting Strategy and those documents necessary for the programming of Albania's use of EU support programmes for regional development for consideration by the NPCRD and gives advice to the same body on county-level regional development documents (County Development Strategies and Joint Development Projects and county documents prepared for the programming of Albania's use of EU support programmes for regional development).

129 METE is also responsible for:

- the programming of the NPDC, including: (a) preparing the National Guidelines for the NPDC in consultation with all relevant bodies; (b) negotiating the County Development Agreement for each county with the County and Line Ministries; (c) negotiating with the

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

county councils the financing basis for the County Development Agencies and entering into commitments in this respect through the County Development Agreement for each county.

- the programming of the DADP, including: (a) preparing the Government Plan for the Development of Disadvantaged Areas; (b) preparing guidelines for the operation of the Disadvantaged County and Disadvantaged Municipality/Commune support elements of the DADP; (c) negotiating with Line Ministries as to their commitments under the Disadvantaged County Support element of the DADP; and (d) negotiating with the counties as to the METE's responsibilities and commitments under the Disadvantaged Municipality/Commune Support element of the DADP.

130 The METE maintains and regularly updates the categorisation of disadvantage in accordance with the Law on Regional Development.

131 The METE accredits all County Development Agencies in accordance with the Law on Regional Development.

132 The METE is responsible for monitoring:

- The implementation of all County Development Agreements to ensure all commitments entered into by both national and county councils are honoured in full;
- That the commitments entered into by the Line Ministries with respect to the implementation of the Disadvantaged Counties Support element of the DADP are honoured;
- That the commitments entered into by the counties with respect to the implementation of the Disadvantaged Municipality/Commune Support element of the DADP are honoured;
- The implementation of the County Development Strategies against defined monitoring indicators;
- The implementation of the Government Plan for the Development of Disadvantaged Areas against defined monitoring indicators.

133 The METE is only responsible for making payments and ensuring financial control of:

- The funding given under the NPDC with respect to the financing of the County Development Agencies.
- The funding given under the Disadvantaged Municipality/Commune Support element of the DADP.

134 METE's Prognosis & Regional Development Sector within the Department of Strategic Programming currently has a staff of three; it will need extensive expansion and capacity building to take on its new role.

3.4.3 *Line Ministries*

135 Line Ministries make commitments through the County Development Agreement (in accordance with the NPDC) to expend specified amounts of their investment funding budget in

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

specified counties in accordance with the priorities defined in the County Development Strategies of those counties.

136 Line Ministries also commit under the DADP to commit specified amounts from their aid schemes for expenditure in counties categorised as “disadvantaged”. They also commit to establishing terms and conditions for such aid schemes as to give favoured treatment to potential beneficiaries located within counties categorised as “disadvantaged”. In exchange for such commitment METE “tops up” the budget for the nominated aid scheme by a negotiated amount.

137 The Line Ministry is responsible for making payments, monitoring implementation and ensuring financial control of the funding given under the NPDC and the DADP (including the “top up” provided by METE).

Sub-national level

Consultative

3.4.4 County Partnership Council

138 The County Partnership Council (CPC) is a county level advisory body composed of the representatives of the public (county councils, municipalities and communes from the territory of the county, and central state administration bodies dealing with development-related issues in the territory of the county), private and civil sectors and established for the purpose of providing advice with respect to the preparation and implementation of regional development policy at the county level (including documents prepared at county-level for the programming of Albania’s use of EU support programmes for regional development), achieving consensus amongst the various interested parties and participating in the development planning of the county.

3.4.5 County Council

139 The county council establishes the County Partnership Council and the County Development Agency in accordance with the criteria established in the Law on Regional Development.

140 It also approves the County Development Strategy and concludes the County Development Agreement for its county.

3.4.6 County Development Agency

141 The County Development Agency is established by the county council (in conjunction with municipalities and communes from the same county).

142 The County Development Agency prepares the county development strategy, documents prepared at county-level for the programming of Albania’s use of EU support programmes for regional development, and joint programming documents (the latter in conjunction with one or more other CDAs covering the counties embraced by the Joint Development Project), coordinates their implementation and monitors their impact.

143 The County Development Agency – in conjunction with the County Partnership – identifies the development needs and investment requirements of the disadvantaged areas within their county. These will be set out in the Chapter on Disadvantaged Areas within the County

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

Development Strategy. The County Development Agency is responsible for the implementation of the Disadvantaged Municipality/Commune Support element of the DADP within their county.

144 Their tasks will include the facilitation of project preparation by local groups and developing a viable project pipeline for financing by national and donors. The development of a project pipeline will be essential for effective use of EU pre-accession and post-accession resources; the CDAs will play a pivotal role in this process.

145 The County Development Agency provides the secretariat function for the CPC. The County Development Agency is responsible for monitoring:

- The implementation of the County Development Agreement for their county;
- The implementation of the County Development Strategy for their county against defined monitoring indicators;

4. Resource implications

146 The majority of financing for the RDCS will be contained within the sectoral strategies. Thus under the National Programme for the Development of Counties the main financing element is financial support from the Central Government to implement elements of the investment priorities and projects described within the County Development Strategy and agreed through the County Development Agreement. Financial support from the Central Government to implement elements of the investment priorities and projects described within the County Development Strategy will broadly speaking be budgetary neutral; it requires no additional funding allocations, but rather an agreement that line ministries will utilise an element of their existing national investment budget to help support investments foreseen in the County Development Strategy and which are in accordance with national investment priorities.

147 The nature of the line ministry investment (direct investment, co-financed investment with a county or municipality/commune, or delegated control of funds to a county or municipality/commune for their implementation) will vary and be subject to negotiation and agreement between the line ministry, METE and the County. The level of support will vary depending on the “Degree of socio-economic development” classification of each county. The final agreement will be ratified in a County Development Agreement signed between the Government and the County. These sums will be contained within the budgets of the different sectoral strategies.

148 Similarly, the vast majority of financing for actions in the disadvantaged areas should come from sectoral strategies (include the commune/municipality competitive grant).

149 The specific funding requirements of the RDCS (not contained within the sectoral strategies) relate to:

- Financial support from the Central Government to cover a proportion of the establishment and operational costs in each county of the County Partnership and an accredited County Development Agency will require an additional financing allocation within the national budget. Support will cover a percentage of agreed establishment and operational costs of the County Partnership and County Development Agency to an agreed maximum. The percentage of support to be provided will be based upon the “Degree of socio-economic development” classification of each county. Support will be provided on a diminishing scale over the duration of the RDCS. It is planned that counties will be supported to establish and operate County Development Agencies with the level of support varying depending upon this degree of socio-economic development. It is also planned that central government support should be on a declining scale with counties eventually taking on the full cost of operating a County Development Agency. The support scale in the table below might be utilised. The funding percentage represents the percentage of the cost that will be covered by the METE from its NPDC budget; the balance must be financed by the County Development Agency founders. The exact figures can only be determined following the determination of level of disadvantage. Training and technical assistance must be provided to all CDAs/CPCs (especially in respect of preparation of the CDS and its

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

negotiation into a County Development Agreement) – hopefully through EU pre-accession support programmes and other donor support.

Disadvantage Index Group	Establishment costs	Year 1 Operational Costs	Year 2 Operational Costs	Year 3 Operational Costs	Year 4 Operational Costs	Year 5 Operational Costs
I	75%	75%	50%	25%	10%	0%
II	50%	50%	25%	10%	0%	0%
III	25%	25%	10%	0%	0%	0%
IV	10%	10%	0%	0%	0%	0%
V	0%	0%	0%	0%	0%	0%

- Funding for the “Disadvantaged County Support” and “Disadvantaged Municipality/Commune Support” elements of the Disadvantaged Areas Development Programme. The budget again cannot be assessed until the determination of level of disadvantage.

5. Accountability, monitoring and evaluation

150 The prime indicator of success with respect to the RDCS will be the achievement of the Action Plan for the RDCS's implementation.

151 Progress will be monitored and evaluated by the interim, ad hoc forerunner of the National Partnership Council for Regional Development (see annex 2).

Annex 1: The consultation process for finalising the Cross-cutting Strategy for Regional Development

First round of consultation of the draft NSRD

List of institutions that participated in the NSRD workshop organized in Tiranë on 27 November 2006 with the representatives from Tirana, Durres and Fier Regions

No.	Institutions/Organizations
1	Ministry of Economy, Trade and Energy
2	Ministry of Interior
3	Ministry of Health
4	Department of Primary Healthcare (Fier)
5	Regional Department of SH.S.SH. Lezhë
6	Department of Public Health - Vlore
7	Ministry of Environment RWA
8	Ministry of Agriculture FCP
9	Department of Forest protection - DURRES
10	Regional Department of Agriculture - Durres
11	Ministry of Labor, Social Affairs and Equal Opportunities
12	Regional Employment Office - TIRANE
13	Regional Employment Office (FIER)
14	Ministry of European Integration
15	Department of Strategies and Donor Coordination
16	Prefect of Durres Region
17	Prefect of Fier Region
18	Regional Council of Tirana
19	Regional Council of Durres
20	Regional Council of Fier
21	Municipality of Vlore
22	Municipality of Fier
23	Municipality of Patos
24	Association of Regions
25	Commune of Gjepal (Durres)
26	Regional Development Agency - Tirana
27	Regional Development Agency - Durres
28	INSTAT
29	UNDP
30	USAID
31	REC
32	SIPU
33	SIDA
34	SNV
35	Institute of Urban Research (URI)
36	NGO Durres (Terrre Des Hommes)
37	NGO Durres (Women Emancipation Progress for the Society)
38	Local Consultants

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

List of institutions that participated in the NSRD workshop organized in Korca on 1st December 2006 with the representatives from Korca and Elbasan Regions

No.	Institution/Organization
1	Ministry of Economy TE
2	Ministry of Interior
3	Ministry of Education and Science
4	Ministry of Health
5	Department of Public Health - Elbasan
6	Ministry of Environment FWA
7	Regional Environmental Agency - Korce
8	Ministry of Agriculture FCP
9	Regional Department of Agriculture- Elbasan
10	Ministry of Labor SAEO
11	Prefect of Korce Region
12	Prefect of Elbasani Region
13	Head of Regional Council of Korca
14	Regional Council of Elbasan
15	Municipality of Korca
16	Municipality of Leskovik
17	Municipality of Pogradec
18	Mayor of Elbasan
19	Association of Regions
20	Association of Communes
21	Union of Chambers of Commerce
22	Branch of the Chamber of Commerce - Korca
23	Regional Development Agency - Korca
24	Center of Civil Society Development - NGO
25	SNV
26	Head of Pojan Commune
27	Head of Qender Bilisht Commune
28	Head of Gjinar Commune - Elbasan
29	Head of Hotolisht Commune Librazhd
30	Head of Qukes Commune
31	Head of Lenie Commune - Gramsh
32	Head of Kushove Commune - Gramsh
33	Head of Kodovjat Commune- Gramsh
34	Head of Mollaj Commune -Korce
35	Head of Rrajce Commune Librazhd
36	Head of Orenje Commune Librazhd
37	Head of Polis Commune

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

List of institutions that participated in the NSRD workshop organized in Vlorë in 5 December 2006 with the representatives from Vlorë, Gjirokaster and Berat Regions

No.	Institution/Organization
1	Ministry of Economy TE
2	Ministry of Interior
3	Ministry of Agriculture FCP
4	Regional Department of Agriculture Berat
5	Prefect of Vlorë Region
6	Regional Council of Vlorë
7	Regional Council of Gjirokaster
8	Municipality of Vlorë
9	Municipality of URA VAJGURORE
10	Branch of Chamber of Commerce and Industry - Vlore
11	Regional Development Agency - Vlorë
12	INSTAT
13	Head of Poshnje Commune - Berat

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

List of institutions that participated in the NSRD workshop organized in Lezhë in 8 December 2006 with the representatives from Lezhë, Shkodra, Kukes and Dibër Regions

No	Institution/Organization
1	Ministry of Economy Trade and Energy
2	Ministry of Interior
3	Ministry of Education and Science
4	Ministry of Health
5	Ministry of Environment FWA
6	Ministry of Agriculture FCP
7	Ministry of Labor SAEO
8	Department of Strategies and Donor Coordination
9	Prefect of Lezhë Region
10	Prefect of Shkodra Region
11	Prefect of Kukes Region
12	Prefect of Dibër Region
13	Regional Council of Lezhë
14	Regional Council of Kukes
15	Regional Council of Shkodra
16	Regional Council of Dibër
17	Municipality of Lezhë
18	Municipality of MAMURRAS
19	Municipality of LAC
20	Municipality of RRESHEN
21	Association of Regions
22	Association of Communes
23	Branch of Chamber of Commerce - Lezhë
24	Branch of Chamber of Commerce and Industry- Shkoder
25	Regional Development Agency - Lezhë
26	Regional Development Agency – Shkodra
27	INSTAT
28	REC
29	SNV
30	Head of Commune Barbullush - Shkoder
31	Head of Commune Bushat - Shkoder
32	Head of Commune Dajc - Shkoder
33	Head of Commune Hajmel- Shkoder
34	Head of Commune Shllak - Shkoder
35	Head of Commune Velipoje -Shkoder
36	Head of Commune Kastrat - Koplík
37	Head of Commune Shkrel - Koplík
38	Head of Commune Balldren i Ri - Lezhë
39	Head of Commune Dajc - Lezhë
40	Head of Commune Kallmet - Lezhë
41	Head of Commune Shengjin - Lezhë
42	Head of Commune Milot - Lac

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

List of institutions that participated in the NSRD workshop organized in Tirana on 14 December 2006

No.	Institution/Organization
1	Ministry of Economy Trade and Energy
2	Ministry of Interior
3	Ministry of Finance
4	Ministry of Labor SAEO
5	Ministry of Health
6	Ministry of Environment FWA
7	Ministry of Agriculture FCP
9	Ministry of Tourism CYS
10	Department of Strategies and Donor Coordination
11	Association of Regions
12	Association of Communes
13	Association of Municipalities
14	INSTAT
15	UNDP
16	USAID
17	REC
18	SIPU
19	SIDA
20	GTZ
21	DfID
22	Swiss Cooperation
23	Austrian Development Agency
24	SNV
25	Institute of Urban Research (URI)
26	Local Consultants
27	MADA
28	FSHZH
29	Faculty of Economy – Tirana University
30	Faculty of Civic Engineering - (Polytechnic University of Tirana)
31	ALBINVEST

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

Second round of consultation of the draft NSRD

List of institutions that participated in the NSRD workshop organized in Tirana on 27 June 2007

No.	Institution /Organization
1	Prefect of Korçë Region
2	Prefect of Elbasan Region
3	Prefect of Vlore Region
4	Prefect of Lezhë Region
5	Prefect of Dibër Region
6	Regional Council of Tirana
7	Regional Council of Durres
8	Regional Council of Fier
9	Regional Council of Korçë
10	Regional Council of Elbasan
11	Regional Council of Vlore
12	Regional Council of Gjirokaster
13	Regional Council of Berat
14	Regional Council of Lezhë
15	Regional Council of Shkoder
16	Regional Council of Kukës
17	Regional Council of Dibër
18	UNDP
19	Ministry of Economy Trade and Energy

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

List of institutions that participated in the NSRD workshop organized in Shkoder on 28 June 2007 with the representatives of Lezhë, Shkoder and Kukes local stakeholders

No.	Institution/Organization
1	Ministry of Economy TE
2	Ministry of Interior
3	Regional Council of Shkoder
4	Regional Council of Lezhë
5	Regional Council of Kukes
6	Prefecture of Lezhë
7	Prefecture of Shkoder
8	Municipality of Lezhë
9	Municipality of Kukes
10	Municipality of Shkoder
11	Municipality of Vau i Dejes
12	Municipality of Puke
13	Municipality of Rreshen
14	Municipality of Mamurras
15	Commune of Qender Malesi e Madhe
16	Commune of Tropoje Bajram Curri
17	Commune of Ana Malit
18	Commune of Rrethinat
19	Commune of Gjegjan Puke
20	Commune of Shtiqen
21	Commune of Berdice
22	Commune of Shkrel Malesi e Madhe
23	Commune of Dajç B/B Shkoder
24	Commune of Zejmen
25	Commune of Fush Kuqe
26	Chamber of Commerce Shkoder
27	Chamber of Commerce Lezhë
28	TEULEDA (LEDA)
29	CSDC(Center of Civil Society Development)
30	UNDP

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

List of institutions that participated in the NSRD workshop organized in Tirana in 29 June 2007 with the representatives of Tiranë, Durres and Dibër local stakeholders

No.	Institution/Organization
1	Ministry of Economy Trade and Energy
2	Ministry of Interior
3	Regional Council of Dibër
4	Regional Council of Durres
5	Regional Council of Tiranë
6	Prefecture of Dibër Region
7	Prefecture of Durres Region
8	Prefecture of Tiranë Region
9	Municipality of Klos
10	Municipality of Kavaje
11	Municipality of Durres
12	Municipality of Bulqize
13	Commune of Martanesh Dibër
14	Commune of Baz
15	Commune of Buba
16	Commune of Farke Tiranë
17	Commune of Kala e Dodes
18	Commune of Komsj
19	Commune of Lis Mat
20	Commune of Macukull
21	Commune of Reç
22	Commune of Selishte Dibër
23	Commune of Tomin Dibër
24	Commune of Zall Dardhe
25	Association of Albanian Communes
26	Chamber of Commerce and Industry - Tiranë
27	Chamber of Commerce and Industry - Durres
28	Chamber of Commerce and Industry - Dibër
29	Regional Development Agency - Tiranë
30	Center of Coordination of RDA-s
31	SNV/Dibër
32	UNDP

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

List of institutions that participated in the NSRD workshop organized in Elbasan in 2 July 2007 with the representatives of Elbasan e Korçë local stakeholders

No.	Institution/Organization
1	Ministry of Economy Trade and Energy
2	Ministry of Interior
3	Regional Council of Elbasan
4	Regional Council of Korçë
5	Prefecture of Elbasan Region
6	Prefecture of Korçë Region
7	Municipality of Elbasan
8	Municipality of Gramsh
9	Commune of Bradashesh
10	Commune of Dardha Pogradec
11	Commune of Gjinav
12	Commune of Gjocas
13	Commune of Gostime Elbasan
14	Commune of Gracen
15	Commune of Hotolisht
16	Commune of Labinot-Mal
17	Commune of Lasuot Fushe ****
18	Commune of Lunik
19	Commune of Mollas Erseke
20	Commune of Novosele Erseke
21	Commune of Perparim
22	Commune of Pojan
23	Commune of Polis
24	Commune of Qender Erseke
25	Commune of Rajce
26	Commune of Shushice
27	Commune of Stebleve
28	Commune of Voskopoje
29	Commune of Vresutas
30	Regional Development Agency - Korçë
31	INSTAT
32	UNDP

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

List of institutions that participated in the NSRD workshop organized in Fier in 4 July 2007 with the representatives of Fier and Berat local stakeholders

No.	Institution/ Organization
1	Ministry of Economy TE
2	Ministry of Interior
3	Regional Council of Berat
4	Regional Council of Fier
5	Prefecture of Berat Region
6	Prefecture of Fier Region
7	Municipality of Roskovec
8	Municipality of Kuçove
9	Municipality of Berat
10	Municipality of Lushnje
11	Commune of Kozane
12	Commune of Ruzhdie Fier
13	Commune of Sinje Berat
14	Commune of Vertop Berat
15	Commune of Kutalli
16	Commune of Kuman
17	Commune of Zharre
18	Commune of Kolonje
19	Commune of Prrenjas
20	Commune of Krutje
21	Commune of Gjerbes
22	Commune of Fratar
23	Commune of Hekal
24	Commune of Ngraçom
25	Commune of Kurtaj
26	Commune of Qender Mallakaster
27	Local Development Agency Fier
28	UNDP

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

List of institutions that participated in the NSRD workshop organized in Vlore in 6 July 2007 with the representatives of Vlore and Gjirokaster local stakeholders

No.	Institution/Organization
1	Ministry of Economy Trade and Energy
2	Ministry of Interior
3	Regional Council of Vlore
5	Regional Council of Gjirokaster
6	Prefecture of Gjirokaster Region
7	Prefecture of Vlore Region
8	Municipality of Vlore
9	Municipality of Sarande
10	Commune of Qender
11	Commune of Piskove
12	Commune of Lunxheria
13	Commune of Antigone
15	Commune of Lazarat
16	Commune of Novosele
17	Commune of Lukov
18	Commune of Hore-Vranisht
19	Commune of Dhiver
20	Commune of Aliko
21	Regional Department of Education - Vlore
22	Regional Department of Agriculture - Vlore
23	Regional Department of Environment
24	Social Insurance Office - Vlore
25	INSTAT Vlore
26	Port of Vlore
27	Auleda (LEDA)
28	Local Development Agency - Vlore
29	Local Development Agency - Gjirokaster
30	CSCD Program
31	DKSPU Vlore
32	UNDP

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

List of organizations that participated in the Donor Round table organized by METE on 12 April 2007

No.	Institution/Organization
1	Ministry of Economy Trade and Energy
2	Austrian Technical Cooperation
3	EC Delegation
4	UNDP
5	DfID
6	GTZ
7	Italian Cooperation
8	USAID
9	Embassy of the Netherlands
10	SNV
11	SIDA
12	SIPU
13	Swiss Development Cooperation
14	OSCE
15	World Bank
16	REC
17	MADA
18	FSHZH

Annex 2: The interim National Partnership Council for Regional Development

Central Government Representatives

No	Institution/Organization	Representative	Function
1	Ministry of Education and Science	Adriana GJONAJ	D/Minister
2	Ministry of Health	Arben IVANAJ	D/Minister
3	Ministry of Tourism, Youth and Sports	Suzana TURKU	D/Minister
4	Ministry of Interior	Ferdinand PONI	D/Minister
5	Ministry of Public Works Transport and Telecommunication	Stavri RISTANI	D/Minister
6	Ministry of Environment, Forests and Water Administration	Taulant BINO	D/Minister
7	Ministry of Agriculture, Food and Consumer Protection	Ndoc FASLLIA	D/Minister
8	Ministry of Labour, Social Affairs and Equal Opportunities	Kastriot SULKA	D/Minister
9	Ministry of Finance	Sherefedin SHEHU	D/Minister
10	Ministry of European Integration	Albert GAJO	D/Minister
11	Ministry of Economy, Trade and Energy		
12	INSTAT	Ines NURJA	Director
13	ALBINVEST	Denis KALENJA	Director
14	FSHZH	Benet BECI	Executive Director
15	AZHZM (MADA)	Shkelzen MARKU	Executive Director

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

Local Government Representatives

No	Institution/Organization	Representative	Function
1	Tirana Regional Council	Tahsim MEMA	Head of Regional Council
2	Durres Regional Council	Sabah STAFUKA	D/Head of Regional Council
3	Fier Regional Council	Luan MUÇAJ	Head of Regional Council
4	Berat Regional Council	Pelivan SHATRI	Head of Regional Council
5	Elbasan Regional Council	Ardjan TURKU	Head of Regional Council
6	Korçë Regional Council	Ilia MILO	Head of Regional Council
7	Vlore Regional Council	Agron SHARRA	Head of Regional Council
8	Gjirokaster Regional Council	Arben ÇULLI	Head of Regional Council
9	Lezhë Regional Council	Bardh RICA	Head of Regional Council
10	Shkoder Regional Council	Gjovalin KOLOMBI	Head of Regional Council
11	Kukes Regional Council	Shefqet BRUKA	Head of Regional Council
12	Dibër Regional Council	Ramazan MJESHTRI	D/Head of Regional Council
13	Association of regional councils	Hysen DOMI	Executive Director
14	Association of Municipalities	Fatos HODO	Executive Director
15	Association of Communes	Agim RREDHI	Member of Committee

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

Civil Society Representatives

No	Institution/Organization	Representative	Function
1	Union of the Chambers of Commerce and Industry	Ilir ZHILLA	Head of Union
2	Council of AGROBIZNESIT	Zyhdi TEQJA	Executive Director
3	Confederate of the Albanian Artefacts	Petrit METOHU	Executive Director
4	Association of Banks	Elvin MEKA	General Secretary
5	Centre of Coordination of ARZH	Ilir RREMBECI	Executive Director of Tirana ARZH
6	Human Development Promotion Centre (HDPC)	Lindita XHILLARI	Executive Director
7	Institute of Contemporary Studies	Artan HOXHA	President
8	CoPLAN	Dritan SHUTINA	Executive Director
9	University of Tirana (Faculty of Economy)	Dhori KULE	Dean
10	Polytechnic University of Tirana	Perparim HOXHA	Rector
11	Union of Tourist Operators	Sadik MALAJ	Head of Union
12	ECAT-Tirana	Marieta MIMA	Director
13	Institute of Urban Research	Zana VOKOPOLA	Executive Director
14	Agency of Sustainable Economic Development	Genc MYFTIU	Executive Director
15	Foreign Investors Association of Albania	Patrick PASCAL	D/President

Annex 3: The County Development Strategy – a possible basis

The CDS is the main planning document for the sustainable socio-economic development of each county. The action plan of the CDS is the detailed operational document allowing implementation of the CDS.

The objectives of the County Development Strategy are:

- To act as a consensus agreement between all relevant national, county, municipal and commune stakeholders as to the development needs of the county (with respect to economic development, employment and training, infrastructure needs, environment, local, urban and rural development, tackling poverty and social exclusion) and thus to provide the basis for negotiating, harmonizing and financing the activities defined within the strategy.
- To address shared strategic objectives with other neighbouring counties as well as cross-border (where appropriate) and inter-regional needs and opportunities.
- To provide the basic guidelines for local development plans and projects of municipalities/communes.

The CDS is elaborated for a period of 5 years. The action plan is prepared for a period of two years.

The national guidelines will provide the wider policy context and procedures for elaborating the CDS, also specifying the national and EU priority development themes. Within this framework each CDS will be required to have mandatory chapters covering the following:

- Chapter 1: A quantified description of the current situation with regard to disparities, gaps and potential for development in the county (including an analysis of the trends in the county, Albania and the EU; analysis of the problems and needs of disadvantaged areas within the county; an analysis of the current situation, problems and needs of cross-border and inter-regional cooperation).
- Chapter 2: The results achieved and the financial resources deployed in prior County Development Strategies (not undertaken for the first round of CDS) as defined by an independent evaluation.
- Chapter 3: A SWOT analysis of the county based upon the finding of Chapters 1 and 2.
- Chapter 4: The vision of the CDS and the hierarchy of objectives of the county development strategy derived from the SWOT analysis.
- Chapter 5: A description of the strategy to attain the objectives referred to in Chapter 4.
- Chapter 6: The priorities¹⁰ selected for the sustainable socio-economic development of the county together with their quantified specific targets, evidence of their consistency with the national guidelines and detailed descriptions of specific interventions with respect to:
 - I. Priorities with respect to the development of disadvantaged areas of the county;

¹⁰ Priorities will be defined for development actions within the county in respect of national, county and municipality/commune spheres of government competence.

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

- II. Cross-border (where appropriate) and inter-county cooperation priorities of the county¹¹;
 - III. Priorities with respect to the integration with local development plans (where these exist);
- Chapter 7: An indicative financing plan for the County Development Strategy specifying for each priority and each year the financial allocation envisaged for the contribution of each of national, county, municipality and commune government.
 - Chapter 8: A description of the arrangements for managing the CDS and of the systems for monitoring and evaluation of the CDS, including:
 - I. The definition of the roles of the different national, county, municipal and county parties in the management and implementation of the CDS;
 - II. The respective roles and responsibilities of the partners in monitoring and evaluating the CDS.
 - Annex 1: A description of the results of the consultations carried out with the County Partnership Council in the preparation of the CDS and the arrangements taken and provisions envisaged to involve the County Partnership Council in its monitoring.
 - Annex 2: The ex ante evaluation report on the CDS.

The implementation document of the CDS is the Action Plan, in which the activities and budget necessary for the implementation of the CDS are defined over a period of two years.

The Action plan has the following sections:

- The projects to be implemented against the different priorities in the CDS.
- The relevant monitoring indicators for each project
- Where the project to be supported is a grant scheme, the criteria for selecting the operations financed under each measure, including the method for appraising their viability in advance.
- The financing plan specifying for each project the financial allocation envisaged for the contribution of each of national, county, municipal and/or commune government. The financing plan should make it clear whether the planned funding is allowed for in the budget of national, county, municipal and/or commune governments concerned¹². This information shall be supplemented by an indicative overall financing table summarising the public (split national, regional and local), private and (where applicable) EU financial resources allocated and corresponding to each project adopted in the Action Plan.

¹¹ Cooperation between counties will be supported through encouragement of “**Joint development projects**” which will be identified in the CDS of counties wishing to cooperate amongst themselves. Such “Joint development projects” will be encouraged through increased allocation of funding, reduced co-financing requirements and selective weighting.

¹² The respective commitments of the national, county, municipality and commune governments shall be the subject of an agreement among them designed to ensure that the funds are made available efficiently and in accordance with the plan for financing the package. This agreement is the County Development Agreement. The County Development Agreement will be the result of negotiations between central, county, municipal and county government institutions concerning the investment priorities and projects to be financially supported for the realisation of the strategy. The degree of socio-economic development of a county will also be taken into consideration by central government institutions in determining the basis of their financial support through the County Development Agreement.

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

The County Development Agency will be responsible for the preparation of the County Development Strategy. The preparation, in accordance with the National Guidelines, will be undertaken in accordance with the Partnership Principle and thus in close collaboration with the County Partnership Council. The level and nature of involvement of the County Partnership Council in the preparation of the CDS will be described in Annex 1 to the CDS.

Drafts of the CDS submitted to the County Partnership Council for their consideration as also made publicly available through the Internet; members of the public should be invited to make their views known through their representatives on the CPC.

An independent ex ante evaluation is to be undertaken in the process of elaborating the County Development Strategy. The evaluators, and those responsible for the developing the CDS, are expected to work systematically through the various aspects of strategy to ensure its relevance and appropriateness to the needs of the county. The objective is to improve and strengthen the final quality of the CDS, ensure its coherence with the national guidelines, the likelihood of foreseen budgetary funding and the realism of the implementation timeframe; thereby enhancing the effectiveness and impact of the interventions supported by the government (national, regional and/or local). In this regard, the evaluation must facilitate a constructive dialogue between those responsible for the CDS and the evaluators.

The County Council will be responsible for approving the CDS and its Action Plan¹³. The process of approval will be public and transparent and the County Council will, prior to their approval of the CDS, seek and take account of the views of:

- The County Partnership Council.
- The ex ante evaluation team.

The Action Plan will be the subject of negotiations between central, county, municipal and county government institutions concerning the investment projects to be financially supported for the realisation of the CDS.

This agreement will be laid down in a County Development Agreement between Central, County, Municipal and Commune Government. The signature of the central government to the County Development Agreement will be its approval of central government financing in furtherance of the CDS and therefore *de facto* approval of the CDS.

¹³ Richard Moreton (Regional Development Adviser to the MADA comments in October 2006 "MADA should seek to develop a debate not just on the first draft of the regional development strategy, but on some of the issue which underpin it. In particular, it should be clarified whether this is to be led by local government or non-governmental partnership structures and whether counties should be the main geographical basis of regional planning". The Ministry of Agriculture comments that the RDCS is "in line with the Cross-cutting Strategy of Rural development which it is in its final phase. Most of the actions taken or aimed to be achieved from RDCS are in compliance with the actions we have taken in the Strategy and Action Plan for Rural development. Some innovations according to EU instructions, such as NUTS, will be a reference point for the collection of data for the interventions that we plan to undertake. The establishment of local partnerships are a good approach for designing policies with bottom-up impact and are considered as a very good initiative".

Annex 4: The County Development Agreement – a possible basis

The County Development Agreement will formalise the commitment by central, county and municipal/commune government to finance jointly the implementation of the Action Plan of an approved County Development Strategy.

The County Development Agreement will be a single contract between the Central Government, the County and the Municipalities/Communes within the county which are committing finance to the implementation of the Action Plan. There will be a County Development Agreement therefore covering every county.

The County Development Agreement will contain:

- The definition of the contracting parties to The County Development Agreement (as defined above)
- The commitment to finance the implementation of the Action Plan for the approved County Development Strategy.
- The total amount of funds intended for financing the implementation of the Action Plan with the planned annual allocation of funds and the planned financial sources (national, county, and municipality/commune) with the share from each source.
- The County Development Agreement validity period. This should be in accordance with the multi-annual budgeting period of the Government.
- Obligations with respect to evaluation of the County Development Agreement's achievements of pre-defined targets

The County Development Agreement will have a series of annexes. Each annex will define:

- The precise and costed individual financial commitment of a Ministry, County, Municipality or Commune with respect to the implementation of the Action Plan and what that financial commitment is to be utilised for. As we are talking about investment finance it should be possible to define this on a project-by-project basis. The CDS's Action Plan should be sufficiently detailed to allow this to happen.
- The basis of expenditure of the financial commitment in the county by the Ministry, County, Municipality or Commune (direct expenditure by central government, co-financing of county/municipality/commune expenditure, delegated utilisation of national budget finance by county/municipal authorities, etc.).
- The procedures, data and time limits for reporting on the implementation of the financed actions and the utilisation of allocated funds.
- The procedures and timetable for monitoring and evaluating the implementation of the financed actions and the utilisation of allocated funds.

It should be clear from the above that the County Development Strategy and its Action Plan are the key element of the County Development Agreement. The process of negotiation of the

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

County Development Agreement will be significantly reduced and simplified if we can ensure that the County Development Strategy and Action Plan are fully in accord with national priorities (that is, they cover what the Government wants to do), they are realistic and implementable.

We have three actions to try and ensure this:

- The National Guidelines for the CDS and AP: These need to set out in a clear and unarguable manner what the Government wishes to see financed, how and by whom. This inevitably means that the National Guidelines will need to define Government investment policy by sector. This seems unavoidable if County Development Strategies are not to contain projects which Government not only does not want to finance itself, but does not want anyone else to finance either (as they are either not in accordance with agreed national policy or are areas where national government does not wish local government to be involved).
- Central government participation in the County Partnership Council reviewing the County Development Strategy.
- The ex ante evaluation which will seek to ensure that the National Guidelines have been followed, that the budget is realistic in relation to the national budget, the county budget and municipality/commune budgets and that the implementation timetable is realistic.

These requirements should ensure that the County Development Agencies preparing the County Development Strategy must work in close cooperation with Ministries if they hope to have their CDS approved and financed. Most of the negotiation should therefore be done informally during the CDS preparation.

METE should act to support and facilitate the negotiation process at all phases. METE should have specific staff members who are responsible for communication and negotiation with other line ministries and with the CDAs to ensure that the process is facilitated and minimise central-county government misunderstandings.

The role of the National Partnership Council for Regional Development in this respect should therefore be to resolve any disputes (as to the interpretation of the National Guidelines or arguments as to the validity of the ex ante evaluations' comments). It should be viewed as an Appeals Court rather than a negotiation tribunal.

It should be clear from this that the process will require a currently unknown level of cooperation between national, county, municipality and commune authorities. It is recommended therefore to start with limited funds directed towards very few priorities in which there is likely to be broad consensus between the three levels of government. The amounts directed towards the counties through county development agreements can be gradually increased as the central administration and county structures become more experienced in mutual cooperation in the field of regional development policy.

The County Development Agreement is inextricably linked to the Government's multi-annual budget (which provides it with its implementation finance).

REGIONAL DEVELOPMENT CROSS-CUTTING STRATEGY

The first stage of approval of the County Development Agreement should therefore be the approval of the multi-annual budget which allocates the necessary central government funding (within individual Ministry budgets) for the implementation of each of the County Development Strategies' Action Plans.

Following such approval Central Government should feel empowered to sign the County Development Agreement.

Given the essentially financial nature of the County Development Agreement and the multi-Ministry nature of the commitment it is probably most appropriate that the Ministry of Finance sign the agreements on behalf of central government.

Each county will obviously have to sign the County Development Agreement to reflect their commitments within the Action Plan.

Municipalities and communes which have entered into a financial commitment with respect to the Action Plan will also need to sign the County Development Agreement.