



# **Project for Sustainable Agriculture and Rural Development in Mountain Regions (SARD – M)**

**Assessment of strengths and weaknesses of  
mountain policies in South East Europe:  
National report of Albania**

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## List of abbreviations and acronyms

ALA	Albanian Livestock Association
ALL	Albanian Lek (national currency)
CoM	Council of Ministers
DADP	Disadvantaged Areas Development Programme
DPDC	Department of Strategy and Donor Coordination
EU	European Union
GDP	Gross Domestic Product
GoA	Government of Albania
IFAD	International Fund for Agricultural Development
INSTAT	Albanian Institute of Statistics
IPS	Integrated Planning System
MADA	Mountain Area Development Agency
MAFCP	Ministry of Agriculture, Food and Consumer Protection
MAFF	Mountainous Areas Finance Fund
MTBP	Mid-Term Budget Programme
MDGs	Millennium Development Goals
NPISAA	The National Plan for the Implementation of Stabilization and Association Agreement
NSDI	National Strategy for Development and Integration
RC	Regional Council
RDCS	Regional Development Cross-cutting Strategy
RDS	Rural Development Strategy
RFF	Rural Finance Fund
RIA	Regulatory Impact Assessment
SPC	Strategic Planning Committee
UNDP	United Nation Development Programme
VCF	Village Credit Funds
SARD-M	Sustainable Agriculture and Rural Development in Mountainous Areas
2KR	Second Kennedy Round
SCA	Saving and Credit Association
SSAF	Sectoral Strategy for Agriculture and Food
STu	The Strategy for the Development of the Albanian Tourism Sector

SoE      Strategy of Education  
SoH      Strategy of Health  
SEn      Strategy of Environment  
STr      Strategy of Transport

**Exchange rates**

US\$ 1 = ALL 95

EORO 1=    ALL 125

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## Executive summary

“Assessment of the strengths and weaknesses of mountain policies in South East Europe: National report of Albania” is being carried out in the framework of **Sustainable Agriculture and Rural Development in Mountain Regions** (SARD-M) Project. The SARD-M Project aims at supporting the rural livelihoods of mountain people by facilitating the design, review, implementation and evaluation of relevant policy packages and institutional processes for promoting SARD in mountain regions at global, regional, national and local levels.

The SARD-M policy assessments intend to provide an understanding of strengths and weaknesses of mountain policies, including social, economic, environmental, cultural, legal and institutional aspects, in relation to sustainable agriculture and rural development. The aim of the assessment is not to conduct an in-depth analysis of policies in a specific sector, but to try to provide more of a global overview and cross-sectoral understanding of strengths and weaknesses of policies for SARD.

The assessment goes through five main steps:

1. Selecting an entry point for SARD-M policy assessments;
2. Assessing the situation of SARD-M policies within the country policy framework;
3. Assessing the impacts of policies on SARD in the country’s mountain areas;
4. Assessing the impacts of existing institutions and policy formulation and implementation processes for SARD in mountain regions;
5. Summarizing findings, recommendations and proposals for follow-up activities.

Such a *general approach* pays special attention to (i) impacts of policies, processes and institutions; and not only the policy relevance (ii) being holistic in terms of cross-cutting policies but going also in reasonable details through “entry point policies”.

The main **methodological tools** used to carry out the assignment include:

- Desk review;
- Participation in a roundtable consultation meeting on Rural Development Strategy meeting organized by Ministry of Agriculture, Food and Consumer Protection at the regional level;
- Consulting the minutes of roundtable consultation meetings on Rural Development Strategy in two additional mountainous regions;
- In-depth interview with stakeholders.

The **main results** of assessment could be summarized as follows:

Mountainous areas in Albania have **great potentials** but they are still **underdeveloped** due to **low sensitivity** from the whole society – parliament, government, civil.

In consultation with stakeholders, the GoA policy to support fruit and livestock sub-sectors was chosen as an **entry point** for analysing government policies related to mountainous areas. The entry point of the policy assessment reveals the following:

- Priority to support fruit and livestock sub-sectors is considered as pertinent from economic, social, environment and cultural standpoints.
- Financial support to fruit and livestock sub-sectors may be limited because of a lack of difference between low and mountainous areas in the policy and limited political advocacy in favour of mountainous areas. That having said, donors have shown interest on sub-sectors under discussion.
- Problem mapping (constraints to be removed in order help develop fruit and livestock sub-sectors) is rather inadequate - access to land and land ownership insecurity,

underdevelopment of whole value chains rather than insufficient orchard development seems to be among central problems for mountainous areas.

- Problem analysis in terms of policy options to solve identified problems is rather poor, since there are other policy options, other than subsidies that have not been assessed properly.
- The provision of subsidies for area planted with fruit trees and vineyards as the policy option chosen will more likely encounter implementation problems, due to the excessive administrative efforts involved.
- The weak points of policies are largely due to the insufficient participation of related stakeholders.
- Hence, the impact of such a policy is expected to be limited.

GoA has designed and implemented a **specific programme tailored to mountainous areas** - Mountainous Area Development Programme (MADP). Under MADP that addresses mountain area specificities, two agencies (Mountainous Areas Development Agency and Mountainous (MADA) and Mountainous Areas Finance Fund (MAFF)) have been established. The impact of such a programme on mountainous areas has been less than expected: MADA has rather failed in coordinating all investment in mountainous areas with the aim of efficient use of mountainous areas resources. MAFF has succeeded to become a leading financial institution for mountain areas, though giving up the objective of social lending.

There is no SARD-M or SARD strategy in Albania. That having been said, different aspects of policies on sustainable agriculture and rural development are implicitly being addressed by a number of documents, namely the National Strategy for Development and Integration (NSDI), Mid-term Budget Programme, three cross-cutting strategies (Rural Development Strategy, Regional Development Strategy, Strategy of Environment) and five sectoral strategies (Strategy of Agricultural and Food, Strategy of Tourism, Strategy of Transport, Strategy of Health, and Strategy of Education). The above-mentioned strategies are being prepared or updated in the framework of new NSDI preparation. Numerous donors also support initiatives and projects tailored to mountainous areas.

Though mountain area specificities (potentialities, constraints and diversity) are addressed in a number of strategic documents, there is no clear focus on mountainous areas in the NSDI, and in any of the above-mentioned documents. The lack of focus on mountainous areas may result in insufficient funding to mountainous areas. Sustainable agriculture is inadequately included in strategic documents; there is no focus on sustainable agriculture in mountainous areas in the Strategy of Agriculture and Food. However, the EU integration process represents opportunities in terms of sustainable agriculture and rural development, including in mountainous areas.

The **impact of policies** affecting mountainous areas though mixed is overall limited:

- The impact of Mountainous Area Development Programme is less than expected;
- The transfer of usufruct rights on forest and pastures – where implemented - has resulted in impressive forest regeneration. Stakeholders, however, claim that the transfer is slow;
- Though the impact of the Strategy of Agriculture and Food is to be assessed later, the predecessor of the above mentioned strategy has failed to complete land distribution and guarantee land ownership security, increase economic operators capacities, and improve agricultural market infrastructure in mountainous areas;
- The impact of cultural and eco-tourism in mountainous areas is limited – tourism remains underdeveloped due to the huge investment needed and the tremendous coordination efforts involved;
- The impact of the education strategy is also limited because of slow reforms regarding the establishment of regional schools; and improving education quality;
- Rural roads remain in poor condition and this represents a major constraint to development, despite some progresses made.

Limited impact of policies is in large part due to weaknesses of **institutions and processes** involved.

*Central government institutions* have managed to establish directorates/sectors in charge of rural and regional development policy. Moreover, EU integration process represents opportunities in terms institutional strengthening; but they suffer from insufficient capacities in terms of number of staff and expertise to deal with SARD M policies. *De-concentrated agencies* (located at regional level, but subordinate to the central government) have limited staff and expertise. *Local government institutions at regional (qark) level* have managed to establish policy and programming departments. They have a broad vision on rural and mountain development, but they suffer from a lack of consolidated and recognized functions. Local government institutions at *commune level* have very limited capacities in terms of implementing sustainable development policies.

In terms of *political processes*, it comes out that there is a clear will from the top political level on country sustainable development. That having said, the lack of influencing pressure groups, (farmers associations, mountainous area elected, etc.) has usually resulted in weak implementation of policies. Insufficient cooperation between central and local authorities involved in mountainous areas development, especially when they belong to opposed parties is another weak side that negatively affect strategy/policy design and implementation.

There are legal requirement on *consulting* stakeholders in policy design and implementation, but consultation is considered more as a “communication” of policies (prepared by government) to stakeholders rather than a partnership. Participation on the side of stakeholders is rather limited due to lack of negotiation power and expertise and lack of government culture “to listen”.

*Technical processes* have strong as well as weak sides. On the strong side, it is to highlight that strategic documents, including those affecting mountainous areas, are embedded in an integrated planning system (IPS). In addition, technical working groups are routinely established. On the weak side, there are concerns that the IPS is too ambitious for the Albanian public administration to absorb. Further, cooperation among central government agencies related to mountain area development is insufficient.

There are strong chances that sustainable development can be continuously *financed* once qualified for funding into NSDI. There are also strong chances that the RDS prepared according to EU guidelines can be funded by the EU. The local governments, both at the regional council level and commune level, suffer from insufficient funding. There is, however, increasing sensitivity of donors (EU, USAID, DFID, etc.) to local government.

Based on the assessment, the study comes up with the following lessons learned and recommendations.

#### ***Lessons learned***

1. Mountainous areas in Albania have great potentials but they are still underdeveloped due to low sensitivity of society towards mountains.
2. The impact of policies depend heavily on policy ownership and pressure of interests groups.
3. The impact of a multiplicity of scattered, uncoordinated projects, is negligible.
4. Every strategic framework should be part of a politically recognized integrated planning system in order for them to be sustained.

#### ***Recommendations on policies***

1. Consolidate SARD (M) policies into a unique document and assign responsibility to RDS structure as a policy body and to MADA as an operational agency.
2. Improve access and ownership security to land resources.
3. Support pilot value chain to set examples of mountain area development.

4. Support marketing through the development of brands and protected designations of origin.
5. Support development and implementation of projects that respect continuity of development potentials rather than administrative/political borders.

***Recommendations on institutions and processes***

1. Support institutions in charge of SARD-M, starting from the Rural Development Department in MoAFCP.
2. Support establishment of an association of Parliamentary Members elected from mountainous areas.
3. Preserve and develop social capital with a long-term perspective.
4. Improve electronic access to strategic documents and action plans affecting SARD-M and organize seminars on cross-sectoral and intra-sectoral communication benefits.
5. Develop a Regulatory Impact Assessment (RIA) system for mountainous areas.

## 1. Introduction

### 1.1 Background information on the country under study

Albania is a small, mostly mountainous country lying on the western seaboard of the Balkan Peninsula. It borders Montenegro and Kosovo to the northeast and north, the Former Yugoslav Republic of Macedonia to the east and Greece to the south. Covering a total land area of 28,748 km<sup>2</sup>, the main geographic regions are the coastal lowlands, the intermediate hill country and the mountain ranges rising to altitudes of more than 2 000 meters above sea level. The population is about 3.2 million (2001 census), of which more than 0.6 million live in the capital, Tirana. More than half of the population live in rural areas, and about a quarter of Gross Domestic Product (GDP) is generated in agriculture, which, following transition, is now almost exclusively based on very small-scale and typically fragmented farming units. The overall population density is relatively high, at 116 per km<sup>2</sup>.

Literacy rates are high for both sexes at around 98%, although the quality of education is said to be declining, especially in rural areas. Social development indicators and other country data suggest that high incidence of poverty is more a matter of economic impoverishment and income decline than of human poverty.

The economy has experienced dramatic changes since the onset of the transition in 1991. Output in 1992 reached a low level - half that of 1989; inflation reached triple digit levels, and the current account deficit rose to two-thirds of GDP. Following privatization and liberalization in agriculture, retail trade and small enterprises, GDP growth, during the next three years, achieved double-digit rates, inflation fell to single-digit levels and external imbalances were substantially reduced. Continued growth during 1996 resulted mainly from fiscal expansion and pyramid investment schemes. The collapse of these schemes in early 1997 led to the loss of about US\$ 1.2 billion in personal savings and triggered a crisis that brought the country to the brink of civil war. Beginning in 1998, the economy initially grew at annual rates of 7-8%, but the rate had slowed to 4.5% by 2002 due to the energy crisis. Real GDP growth in 2003 returned to an annual rate of about 6% and is expected to be sustained at that level over the short term. If this rate of growth can be maintained, Albania is considered to be on track to achieve, by 2015, its target of halving the share of the population living under the absolute poverty line.

Albania is a very mountainous country. Only 16% of the land lies below 100 m, 55% falls between 100 and 1,000 m and 29% is above 1,000 m. Thus the land used for agriculture is often quite sloping, with only about 44% of the agricultural land having a slope of less than 5%.

Albania can be divided into three major agro-ecological zones<sup>1</sup> based on climate and topography:

- The *lowlands* consist of the coastal plains along the Adriatic/and Ionian Sea, with altitudes ranging from sea level to 200 m. About 80% of the annual precipitation in this zone occurs from October to March, resulting in a need for irrigation for summer crop production. Overall, these conditions allow production of a wide range of crops such as cereals, forages, vegetables and grapes, as well as citrus in the most southerly part of the zone<sup>2</sup>.

Map 1: Albania



<sup>1</sup> Zones 1 and 2 in the map: *Agro-ecological zones in Albania* can be considered together.

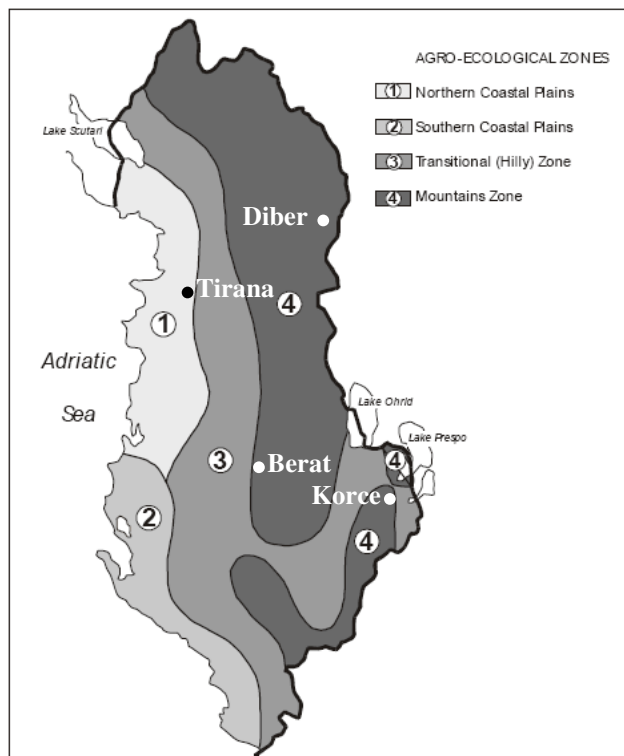
<sup>2</sup> For more information on agricultural production, refer to Annex: *Agricultural structure in the four Zones and their respective districts*.

- The *transitional hilly* (sub-mountainous) zone ranges from about 100 to 900 m, consisting primarily of hills stretching from north to south between the coastal plains and the mountains. Olives, grapes, temperate fruit trees, maize and wheat are grown, and there are extensive areas of low and shrub forest. The transitional zone includes the agriculturally significant Korce basin in southeast Albania, located at over 800 m in the driest part of the country (average annual precipitation of 790 mm).
- The *mountainous* zone consists of intermountain valleys and high mountain peaks, with mild summers and cold winters with heavy frosts and significant snowfall (annual precipitation averages about 900 mm in the south to 1,500 mm in the north, and up to 3,000 mm high in the northern mountains). Crops such as maize, forages, summer vegetables and winter wheat may be grown in the valleys, with barley and potatoes at higher altitudes. Temperate fruit trees such as apples and plums are also grown. At high altitudes, the zone consists mostly of forests and pasture for livestock.

As mentioned earlier, with sixty percent of the area situated higher than 600 m above sea level, Albania is a very mountainous country.

*Albania is so mountainous that if one irons it out, it will have an area larger than that of Russia,* a Russian mountain area researcher says in an international conference<sup>3</sup>. Mountains have constraints, but they have also diversities and potentialities, as shown in the following box:

**Map 2: Agro ecological zones in Albania**



Source: World Bank, Albania-Rural Development Strategy

### Box 1: Mountain area specificities in Albania

#### Constraints

- Life conditions in these areas are inferior to those in other regions of Albania. Public services such as hospitals, health care centres, schools and kindergartens in many cases lack quality or are sometimes nonexistent. In addition, mail service, telecommunication, roads, water and energy supply are still problematic in these areas.

#### Diversity

- They are rich in natural resources (minerals, hydro resources, forests, food products of a high quality and a high level of livestock raising), but their actual development is still very low.

#### Potentialities

- The mountain areas in Albania are a very important part of the whole country because they cover more than 60% of the surface area, in which 35% of the Albanian population work and live.
- Development of handicrafts and the traditional work like the reprocessing of wood, leather, wool

<sup>3</sup> Civici, A., 2007, Dilemat e Zhvillimit.

clothes, carpets and rugs.

- These areas are also known for cooking some special types of food. These areas have great possibilities for development of the tourism sector in general and specifically the natural tourism, historical tourism, agro-tourism and especially cultural tourism.

Source: Belsanti, V et al. 2006.

## 1.2 Short overview of agricultural and forestry sector

Agriculture represents a major branch of the Albanian economy. More than half of the Albanian population lives in rural areas, and more than two-thirds of the rural population is employed in agriculture.

Arable land constitutes approximately 24% (700,000 ha) of Albania's land area, pasture 15% (425,000 ha), and forest about 36% (1 million ha). Forty-four percent of the arable land lies in the coastal areas that are predominantly plains, and the remaining 37% and 19% are in the hill and mountainous areas, respectively.

The agricultural sector in Albania experienced dramatic changes during the transition. After the collapse of the command economy, the closure of cooperative and state farms and the redistribution of land to private ownership transformed the agrarian structure. The process created more than 400,000 small family farms with an average land ownership of around 1.3 ha, typically fragmented into smaller units. In some hill and mountain areas, which together account for more than half of all agricultural land, farm size is even smaller, at around 0.2 ha. All livestock and most other assets of the state and collective farms were also distributed to the new farmers. In addition, important progress was made in privatizing agro-processing enterprises, and in establishing a largely distortion-free incentive framework through price and trade liberalization.

By 1993, the sector had recovered from its large decline, and by 1996, agricultural output had increased to 37 percent higher than the level in 1989. This turnaround was fuelled largely by the act of putting land resources into the hands of individual farmers and by productivity increases in the livestock sector. The early high growth rates have slowed, however, with a 10 percent fall in 1997 resulting partly from the civil unrest of that year. Nevertheless, since 1998, agriculture had growth rates close to 5 percent annually. The agriculture sector remains of major importance to the economy as a whole. Although there has been a slight relative decline in recent years due to some recovery in the service, construction and industrial sectors, the agriculture sector represents a quarter of the Albanian GDP.

In the early years of transition, farmers, out of necessity, adopted a subsistence orientation, adjusting the former state production patterns to reflect their own consumption requirements. In areas of higher productive potential, which happen to lie closer to major urban centres, farmers are now gradually becoming more market oriented. This trend is starting to emerge in mountain regions; in these areas, however, marketing opportunities are fewer, and the competitiveness of the output is generally much lower.

The removal of the artificially imposed farming production patterns of the communist era has led to a resurgence in the importance of livestock, especially of extensively grazed small ruminants in mountain areas. Livestock production is now a major component of Albanian agriculture. However, fresh and processed animal products are typically marketed under conditions of poor hygiene, and there is little awareness of respect for food safety standards or the use of adequate veterinary controls. The maintenance of domestic market share is becoming more difficult as urban consumers become more discerning with respect to product quality and hygiene. Despite difficulties and shortcomings, livestock products, a limited range of fruit and vegetable products and viticulture, offers some of the best opportunities<sup>4</sup> for farming-based rural development in

<sup>4</sup> Refer to *Entry Point* paragraph.

mountain areas. From a policy and planning perspective, however, it is necessary to view the agricultural sector as part of a multifunctional rural economy, with efforts in poverty reduction focused on a wider perspective, including the sustainable use of rural natural resources and the associated backward and forward linkages of agriculture to economic opportunities in other sectors.

*Forests* comprise some 36 percent of the country's land area and constitute an extremely important natural resource base. The potential exists for the sector to increase its contribution to the economic recovery by generating revenues from timber sales, by increasing rural employment, and by generating environmental benefits. Improved watershed management should seek to gradually transfer user rights of state-owned forests and pastures to communities and villages on a long-term basis with the view of supporting the livelihoods of these communities. By ensuring long-term user rights, it is assumed that the interest of local communities in the sustainable management of these forest and pasture resources will be increased, thereby contributing to reduced erosion.

Albania has a rich biological and landscape diversity that maintains a wide variety of plant and animal species. About 30 percent of all European floras are in Albania and the high forests are home to communities of large mammals such as wolves, bears, lynx, wild goats and the characteristic bird communities associated with virgin forests. Albania is also an important crossroad for bird, bat, and insect migration. There are about 91 globally threatened species in Albania. The major types of endangered ecosystems and habitats include sand dunes, river deltas, alluvial forests, inland lagoons, coastal lakes, alpine meadows, continental and glacier lakes as well as broadleaf and coniferous forests. Well managed, these areas have significant potential to provide income from tourism and recreation, as well as to provide ecosystem services.

Albania's fresh water resources will be subject to increasingly competitive demands by household consumption, industrial use, hydroelectric power generation, and agricultural irrigation.

### 1.3. Survey of rural development

There have been tremendous developments during transition in terms of rural development. Ownership transformation and migration (emigration) have dramatically changed the landscape in rural Albania.

As shown in the following table, **poverty** in rural Albania is still high with 24% of the rural population falling below the poverty line, despite of all positive developments in recent years.

**Table 1: Absolute poverty rates in Albania**

Stratum	2002			2005		
	Urban	Rural	Total	Urban	Rural	Total
<b>Total</b>	19.5%	29.6%	25.4%	11.2%	24.2%	18.5%
<b>Mountain</b>	24.7%	49.5%	44.5%	17.1%	27.7%	25.6%

Source: INSTAT - LSMS 2002-2005

During the period 2002 to 2005 (latest data), there has been substantial positive development in poverty reduction, including in rural areas. The data show that the poverty has fallen more rapidly in mountainous areas – one in four people was poor<sup>5</sup> in 2005 in rural mountainous areas as compared with one in two people in 2002. Poverty reduction in mountainous areas during this period has been quite impressive both in both urban and rural areas with more rapid poverty reduction in rural areas.

<sup>5</sup> The poor are defined here as those whose real per capita monthly consumption is below Albanian Leks 4891 in 2002 prices (around US\$ 50). Extremely poor are defined as those whose per capita income fall below food needs.

Nevertheless, poverty rates in mountain areas are still high; it is about three times higher than in Tirana. In the last three years, urban poverty has declined faster than rural poverty, but there has been some reduction in the differences between regions. Extreme poverty in rural areas in 2005 was 4.5% (3.5% for all strata) with a slight decrease as compared with 2002; extreme poverty rate in rural areas for 2002 was 5.2% (4.7% for all strata).

**Agriculture** (farming) sector represents the main activity in rural areas; as mentioned earlier<sup>6</sup>, two-thirds of the rural population is employed in agriculture. Despite the impressive achievements so far, there are still many problems with respect to Albanian agriculture. Agriculture in Albania is now dominated by small farmers who produce both for home consumption and for a market serviced only by private traders, agro-processors and input suppliers. Production systems remain basic, yields are low, many farms are too small and fragmented to be viable, physical infrastructure is poor, and private sector activity has yet to fully fill the vacuum left by defunct state processing and marketing agencies. Thus, while impressive, the changes to date are only the beginning of the transformation process.

The rural economy depends on opportunities in the **non-farm rural sector**. Current non-farm development is minimal and informal in character. It is restricted to low-grade construction, small technical and personal services, and petty trade. Only about 20 percent of non-farm enterprises are located in rural areas. In addition, over the last decade, the economy has grown fastest in and around the country's principal lowland urban areas, where the concentration of factors of production has allowed better and quicker returns to investment.

While agriculture has been successful in underpinning food security, it remains essentially subsistence-oriented. Limited agricultural surpluses are reflected by low agro-business development. In addition, the development of the non-farm rural economy has suffered from a severe lack of institutional arrangements needed for its development.

Remittances can be a vehicle for investment in rural areas. While remittances help to provide the opportunity to start a business, improved access to financial resources for the start-up of non-farm business in rural areas would be needed to jump-start the development. Lack of off-farm employment opportunities are an obstacle to the further rationalization of agricultural production and the realization of the benefits of economies of scale. There has been a steady reduction in skills of the rural labour force through ageing, migration, and the absence of education and training of new entrants. Taken together, these factors have contributed to a persistent situation of structural unemployment in the countryside.

For many Albanians, **remittances** from abroad have been and continue to be an important means of meeting their food and other basic consumption needs. A survey of household income<sup>7</sup> found that agriculture accounted for 37 percent of total income, remittances for 31 percent<sup>8</sup>, and non-farm business for only 16 percent of total income. A typical rural household in Northeast Albania, the poorest region of the country, earned 8 percent of its income from agriculture, 21 percent from livestock, 1 percent from processing, and 67 percent from non-agricultural sources, principally remittances. At the household level, earning and providing remittances through migration is often seen as a way to supplement consumption or invest in home improvement, education or farm inputs.

A number of initiatives are under way to support **rural finance**. *Rural Finance Fund* (RFF) is one of the most important institutions that provides microfinance services in rural villages of Albania. It originates from a World Bank project started in 1992. RFF manages a network of Savings and Credit Associations (SCA) spread over eight districts. Almost half of these loans are used to buy livestock, a quarter for agricultural activities, and slightly less than a quarter for trade. SCAs have also united in what is named Saving and Credit Associations Union. *Mountainous*

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<sup>6</sup> Refer to paragraph 1.2. Short overview of agriculture and forestry.

<sup>7</sup> World Bank, Rural Strategy Albania – Underpinning Growth and Sustainable Development.

<sup>8</sup> Remittances represent a major source of income for Albanian economy. According to the Bank of Albania, remittances for 2005 are estimated to be EURO 802 million, or 11.6% of Albanian GDP.

*Areas Finance Fund* is the only financial institution involved in commercial lending in the mountain districts of Albania. Its objectives include poverty alleviation in the mountain areas, and increasing welfare by promoting employment and providing income-earning opportunities. There are also some other initiative with modest results in terms of financing rural development. The role of commercial banking in rural areas is understandably limited.

**Natural resources**<sup>9</sup> in Albania have been degraded considerably during transition. Districts with higher poverty levels also show comparably higher levels of erosion and deforestation, indicating a link between poverty and land degradation. Deforestation also impacts mountain water reserves, reduces river flow levels and increases the risk of severe damage from flooding during periods of heavy rainfall. A rapid increase of livestock numbers has added to the stress on the environment, as pastureland tends to be overgrazed. An estimated 60 percent of agricultural land is affected by severe soil erosion resulting from deforestation, poor agricultural practices, and overgrazing. Though very little technical data is available on erosion, it is clear that due to the very fragile soil conditions, millions of tons of fertile soil are lost every year while dams and basins are silted up rapidly.

The past intensive agricultural practices and the present economic activities have all damaged biodiversity and landscape diversity. Soils have received little fertilizer since 1991, resulting in a decline in organic content, nitrogen, and potassium. In addition to deteriorating soil fertility, a decrease in water retention capacity and an increased incidence of weeds and plant diseases also results from this neglect.

Forest degradation is occurring for three major reasons: excessive fuelwood collection, overgrazing by livestock, and over-harvesting of tree fodder. Productive high forests suffer from illegal logging for commercial wood, accompanied by a considerable waste of quality timber. Flooding is an increasingly pressing problem, especially in the northwestern part of Albania where watershed management is poor and drainage infrastructure is deteriorating. The total area at risk of flooding is more than 40,000 hectares. A causal link also exists between deforestation, overgrazing, erosion, and flooding, which is compounded by the poor maintenance of drainage canals and pumping stations. Marine and aquaculture fishery resources are poorly managed but have good economic potential. Albanian waters are increasingly being fished, which exerts increased pressure on the fish stocks off Albania. As a result, strong signs have emerged of overexploitation of coastal fish resources in offshore areas.

**Rural Infrastructure** deficiencies are quite high in rural areas. Migration has increased the pressure for infrastructure services in coastal plains and urban centres and has decreased it in rapidly depopulating areas. This vicious circle makes it difficult to strike a balance between the high demand and need for infrastructure services in more populated areas in the plains and the equally critical infrastructure needs in the more remote and less densely populated regions. Finding this balance will be critical for the development of Albania over the coming years.

*Water and Sanitation.* Rural areas face severe problems with water supply and sanitation. Improvements in water supply of rural areas will be closely linked with the decentralization process in which the local governments will be responsible for its operation. A rural water and sanitation strategy has been prepared. The Government role should be to facilitate the new institutional set-up and to provide the necessary regulatory framework that ensures the participation of communities in drinking water supply management and decision-making.

Rehabilitation of *irrigation and draining systems* needs to be continued over the coming years. Water user associations (WUA) have proven to be good vehicles to manage irrigation infrastructure and water distribution on the local level and have tremendously improved the access and management of the water resources on the local levels. Building on these successes, more attention will need to be given to the capacity building of the authorities for coordinating and facilitating the operation of the large canals while maintaining the concept of a user managed

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<sup>9</sup> For a general picture on natural resources, refer to 1.2 *Short overview of agricultural and forestry sector.*

system. In addition, farmers should receive more advice on the efficient use of irrigation water and improved management of the resource as well as sustainable handling.

*The rural road network* is extremely poor and in bad condition. Most rural road maintenance has been neglected in the last decade. While a number of roads have been upgraded with donor assistance in the last few years, and most of the construction and rehabilitation of rural roads has been decentralized to the communities, conditions have not improved significantly in the more remote areas. Very little maintenance is conducted even on newly constructed roads due to both lack of funding, and lack of capacity and organization. An improvement in the rural road network is critical for the economic development of rural areas.

Access to *electricity* is another critical factor. Ongoing problems of supply and distribution of electricity continue to hinder growth, in particular, the increase of rural industries and businesses. The electricity grid has a broad reach, but most rural areas receive power for only a couple of hours per day due to regular power cuts and supply problems. Over 90 percent of the electricity in Albania is derived from hydropower plants. However, droughts have reduced water levels to their lowest in 30 years. It will be essential to improve the electricity supply in rural areas. The lack of electricity is frequently mentioned as one major impediment to business development. It also makes the operation and expansion of social services more difficult.

According to assessments conducted, most Albanians believed that the quality of **education** has declined over the past 10 years, that education levels have fallen, and that illiteracy is emerging, particularly in rural areas and some newly formed peri-urban settlements. Many parents, teachers, school administrators, and political leaders believe that poor teaching quality and reduced student attendance were the principal reasons for the decline. Enrolment numbers have declined more steeply in rural areas than in urban areas except at the preschool level. Peri-urban locations, often inhabited by migrated rural poor, are predicted to have below average enrolment rates. Analysis also shows that the quality of the schools has an effect on the enrolment rates, thus reducing the attendance even further in rural areas.

Albania's rural sector is beginning to see the emergence of **community-based private groups and associations**. Many have received technical and financial assistance from government/donor-financed programs during their formation. For example, there are now a large number of registered Water User Associations in the country responsible for managing rehabilitated irrigation infrastructure, although not all are fully functional yet. In addition, Forest Users Associations are operating in a large number of communes and are responsible for management and improvement of pasture and forest resources in their communities. The formation of credit groups has been underway since 1992. Village Credit Funds (VCFs) have been formed under World Bank and IFAD-supported projects, including in the mountainous areas. In addition, a number of Credit Unions and Savings and Credit Associations (SCAs) have been constituted, with the first ones formed starting in 1997.

#### 1.4. Horticulture and small livestock policy: entry point of policy assessment

Government of Albania (GoA) has made a priority out of horticulture and livestock development, including small ruminants. For the first time after one decade and a half of transition, GoA has decided to depart from its neutral policy and to clearly support horticulture (vineyard, orchard and olive sectors) through direct support. The Cabinet Decision (CD) No. 03/07, "On the development of vineyard, orchard and olive sector"<sup>10</sup> grants subsidies to farmers for new investment in the above-mentioned sectors. On the other hand, other projects on the development of milk and fruit and grape processing are in pipeline in the Ministry of Agriculture, Food and Consumer Protection (MAFCP). The policy does not target mountainous areas in particular and such areas are also typically the last to benefit from the policy as well.

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<sup>10</sup> CD No 3/07, On the development of vineyard, orchard and olive sector.

### ***Priority relevance***

There is a clear consensus among all stakeholders that horticulture and livestock contain tremendous potentials for development in mountainous areas of Albania:

*Horticulture, livestock and related processing industry – together for Dibra region development,*

this was one of the main messages taken from the consultation meeting on Rural Development Strategy in Diber<sup>11</sup>, organized by the MAFCP.

Livestock and horticulture have a symbiotic relationship. According to the assessment of experienced practitioners in Dibra region, one-third of animal food comes from orchards. On the other hand, orchards need manure coming from animals. There is evidence that a significant number of farmers are returning to fruit production tradition.

**Table 2: Fruit and livestock sector data**

Description	Years					
	2000	2001	2002	2003	2004	2005
Fruit trees (000 trees)	5,573	5,726	6,029	6,530	6,785	7,120
Fruit tree production (000 ton)	64.9	63.8	75.8	77.4	85.3	90.0
Pergola (000 trees)	4,638	4,793	4,806	5,022	5,224	5,364
Vineyard Total ( ha)	5,824	6,275	6,800	7,180	7,605	7,994
Grape total (000 ton)	79.3	85.1	83.1	105.5	97.1	115.1
Cattle (000 heads)	728	708.4	690	684	654	700
Goats (000,000 heads)	1.1	1.0	0.9	1.0	0.9	1.0
Sheep (000,000 heads)	1.9	1.9	1.8	1.9	1.8	1.8

Source: Albanian Institute of Statistics (INSTAT) & Shundi, 2006, Albania: Fodder Production

The preceding table data show that fruit tree production has increased over last six years. On the other hand, livestock breeding is a major economic activity in Albania. The small ruminant sub-sector is particularly important in mountainous areas due to the abundance of forest and pasture resources. Forest and pastures represent 55% and 66% of the mountain territory in southern and northern Albania respectively<sup>12</sup> (forest and pastures represent 51% of Albanian territory).

*Livestock rearing is a traditional economic activity in Albania. Before World War II, it was much more important than crops. Nowadays, it accounts for 47 percent of agricultural production, a contribution that is higher than in other Mediterranean countries.*<sup>13</sup>

As discussed earlier, the support to the development of fruit and livestock sectors seems to be a pertinent policy choice from economic, social, environment and cultural point of view. *Economically*, it helps to valorise human and natural resources, and increase competitiveness; *socially*, it helps to reduce poverty by providing the poor with income generation activities; *environmentally*, tree planting creates important positive externalities in terms of erosion control and air quality. Sheep breeding is also quite friendly to the environment and goat breeding does not harm high forests. *Culturally*, traditional mutton/lamb meat cooking and wool processing is a “natural profession” of mountain people<sup>14</sup>. The development of small ruminants sector and related food cooking coupled with nature preservation contain real potential for the tourism development in Albania.

Lamb represents real export potential since it is considered really special and tasty. Based on lamb export potential, there are European Union (EU) and bilateral funded projects to support food safety in the lamb sector and develop prime quality lamb for domestic and export markets.

<sup>11</sup> For Dibra and Berati location, refer to Map: Agro ecological zones in Albania.

<sup>12</sup> Refer to Annex: Agricultural structure in the four Zones and their respective districts.

<sup>13</sup> Shundi, A., 2006, Albania: Fodder Production.

<sup>14</sup> Refer to Box: *Mountains Areas Specificities* in Albania. Handicraft and cooking are closely related to sheep breeding “business”.

The project on Establishing Albanian Livestock Association (ALA), funded by Italian Government and implemented by UNDP-Albania aims at establishing an association to support the production of high-quality and safe lamb from the mountainous areas of southern Albania.

#### **Box 2: Albanian Livestock Association**

ALA will organize production according to standards, brand name and designation of origin (for instance, prime quality meat from southern mountain areas), improved feeding systems, improved veterinary control and treatments. Moreover, in agreement with processors and traders, ALA will implement a traceability and labelling system required by the law and important to gain increased consumer confidence. International certification institutions will make controls all along the system.

The *qarks* included in the project for the time being are Vlora, Gjirokastra and Korca; three mountainous *qarks* situated in the southern part of Albania.

Source: UNDP-Albania

While government seems right in setting priority sectors, concerns arise when it comes to problem mapping, problem analysis and decisions made on preferred policy option.

#### ***Problem prioritizing - agenda setting***

The discussion with stakeholders and the review of existing studies highlight two major problems: (i) access and secure land ownership rights and (ii) underdevelopment of whole agro-business value chains.

*Access to land* resources and *security of land* ownership represent a major problem for “business” development, poverty reduction and environment protection in mountainous areas. A Dibra region inhabitant states that:

*In our region, only 10% of total land area (arable land: ES)<sup>15</sup> has already been privatized. Therefore, there is a high pressure on forests and pastures which is leading to forest and pasture degradation. It is not acceptable that forest and pastures in Kalaja e Dodes, a very remote commune with virtually no arable land where sheep breeding is the main economic activity, are still state owned and state managed. Where forests and pastures belong to private owners, the last are protecting and developing such resources.*

There are claims that, when it comes to forest and pastures, government is very slow in advancing decentralization reform.

On the other hand, access to land resources (mainly arable land) by people remaining in mountain areas is hampered by the lack of willingness of absent landowners to sell or rent the land out. Land ownership insecurity, sentimental rather than non-financial attachment to land and lack of economic stimulus/penalties to motivate the renting of land, results in the underdevelopment of the land market. People having left the village prefer to keep the land idle rather than sell or rent it out.

A “scan” of the *value chains* for fruit and livestock would reveal that there are problems in the whole value chain. Some of the most important problems encountered in the fruit value chain are: insufficient sapling availability and poor sapling quality, insufficient – or sometime simply missing - fruit processing industry, and poor marketing of local produce, including brand and designation of origin development. On the other hand, important problems encountered in the small livestock sector are pasture and pasture infrastructure (water points) degradation, poor veterinary services, underdeveloped milk and meat processing industry, meat and milk food

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<sup>15</sup> According to the “Law on Land”, only arable land has already been privatized. Forests and pastures still remain in large part state owned though a process of transferring forest and pastures to local government is under way.

safety, poor marketing of local produce, including brand development, and underdeveloped private extension service<sup>16</sup>.

Though one may observe many problems in the value chain, not all of them have the same level of importance. *Underdevelopment of processing industry* came out as one of the most important problems hampering the development of fruits and livestock sectors in Dibra region. Farmers produce fruits, milk and meat but the processing industry remains critically underdeveloped.

*Milk production has increased 2.5 times in the last decade, but only less than 1% is being processed locally<sup>17</sup>.*

On the other hand, fruit processing industry is underdeveloped and sometimes also simply not existent.

*I produce cherries in Dibra, sell them to the processors in Berat<sup>18</sup>, and buy cherry jam from Berati processors. We need support in order to process our fruits here!*

This is the way farmers express their concern about the non-existence of the fruit processing industry in Dibra. The evidence shows that fruit and livestock processing industry is underdeveloped in the mountainous areas of Albania.

It is believed that support to processing industry will also support food safety and marketing, including brand development. Experience, including in Albania<sup>19</sup>, shows that the processing industry typically develops collection systems, and supports farmers in different ways, including areas such as animal health and food safety.

Although agro-processing is seen as a priority from the GoA, there is a clear difference between policy and putting it into practice. As experience has shown up until now, the lack of a specific policy for supporting agro-processing in mountainous areas will most likely result in less money being allocated to mountain regions.

### ***Policy option chosen***

The policy option based on direct subsidies to farmers investing in new plantations – though supported by those who have designed it - will most probably encounter implementation problems as supported by executive director of Albanian Agribusiness Council,

*Public administration cannot manage subsidies. It is difficult to deal with more than 400 thousand farmers.*

### **Box 3: Procedure for granting subsidies to orchard farmers**

According to the CD No. 03/07, farmers need to apply to the regional department of agriculture; before applying, farmers should open a bank account in order to receive money if approved. Regional departments of agriculture select the applications and approve those with more points; then the applications are submitted to 2 KR project for financing. 2 KR Project checks the whole procedure and makes payments after verifying that the plantation has been really built.

Source: 2 KR Project

It becomes clear from this procedure that the administrative requirements involved in the implementation of this policy are excessive for the Albanian administration. In fact, the government only recently renounced the policy of subsidizing agricultural machinery fuel because it was not working due to the many administrative efforts and requirements involved.

<sup>16</sup> For more information on problems (constraints) encountered in the value chains under discussion, refer to Annex: *Entry point – problems and policies* and Annex: *Value chain problems and activities in small stock for Permet district*.

<sup>17</sup> Dibra Regional Council, 2004, Dibra MDG Report.

<sup>18</sup> Berati is a town too far from Dibra. For Dibra and Berati location, refer to Map: Agro ecological zones in Albania.

<sup>19</sup> GjiroFarm, a private milk processing company located in southern (mountainous Albania) has built a milk collection system, takes care of milk safety and even of animal health.

***Participation***

Problem analysis in terms of policy options to solve identified problems is rather poor and insufficient participation of stakeholders has not helped. For instance, in the case of supporting horticulture, stakeholders mentioned other ways of promoting the sector, including supporting seedling production and control, subsidizing farmers for every unit handed to the processing industry, supporting the processing industry, etc.

The “defects” in problem mapping and agenda setting, problem analysis and policy decision (on grants to farmers) originate from a rather insufficient consultation of all stakeholders.

***Expected impact***

To sum up, one may safely assume that the impact of current policy - to support horticulture and livestock in mountainous areas - will very likely be rather modest, because of improper problem prioritization, problem analysis, policy formulation and policy decision. Consultations with relevant stakeholders could have contributed to avoiding such problems in the policy cycle.

## 2. SARD-M related policies within the country's policy framework

### 2.1. System of governance

Politics of Albania takes place in a framework of a parliamentary representative democratic republic, whereby the Prime Minister is the head of government, and of a pluri-form multi-party system. Executive power is exercised by the government. Legislative power is vested in both the government and parliament, the Assembly of the Republic of Albania. Since 1991, the introduction of pluralism, the party system is dominated by the conservative Democratic Party of Albania and the socialist (post-communist) Socialist Party of Albania.

The head of state in Albania is the President of the Republic. The President is elected to a 5-year term by the Assembly of the Republic of Albania by secret ballot, requiring a two-thirds majority of the votes of all deputies. The President has the power to guarantee observation of the constitution and all laws, act as commander in chief of the armed forces, exercise the duties of the Assembly of the Republic of Albania when the Assembly is not in session, and appoint the Chairman of the Council of Ministers (Prime Minister).

Executive power rests with the Council of Ministers (cabinet). The Chairman of the Council (Prime Minister) is appointed by the President; ministers are nominated by the President based on the Prime Minister's recommendation. The People's Assembly must give final approval of the composition of the Council. The Council is responsible for carrying out both foreign and domestic policies. It directs and controls the activities of the ministries and other state organs.

The Assembly of the Republic of Albania is the lawmaking body in Albania. There are 140 deputies in the Assembly, of which 100 are directly elected by an absolute majority of the voters, and 40 are chosen by their parties based on proportional representation. There are 15 permanent commissions, or committees. Parliamentary elections are held at least every 4 years.

The Assembly has the power to decide the direction of domestic and foreign policy; approve or amend the constitution; declare war on another state; ratify or annul international treaties; elect the President of the Republic, the Supreme Court, and the Attorney General and his or her deputies; and control the activity of state radio and television, state news agency, and other official information media.

The court system consists of a Constitutional Court, the Court of Cassation, appeals courts, and district courts. The Constitutional Court interprets the constitution, determines the constitutionality of laws, and resolves disagreements between local and federal authorities. The remaining courts are each divided into three jurisdictions: criminal, civil, and military. The Court of Cassation is the highest court of appeal. The President of the Republic chairs the High Council of Justice charged with appointing and dismissing other judges. The High Council of Justice was expanded in late 1997 to comprise 13 members from among the various branches of government.

Albania is divided into 12 counties or prefectures. County heads (prefects) are appointed by the Council of Ministers. There are also a number of central government agencies operating at regional level; they are called regional departments or "de-concentrated agencies". Ministry of Agriculture and Food, Ministry of Environment, Ministry of Education, Ministry of Health have such departments in each region. A "vertical line of authority" is present in this case.

City mayors and commune heads are directly elected by voters, while city councils are chosen by proportional representation. Municipalities and communes represent the first level of local government. Regional councils represent the second level of local government. Regional councils are elected by councillors of municipalities and communes on a proportionality basis.

The reality of local government (communes, municipalities and regional councils) and central government agencies operating at regional level is the fact that there is a need to establish better horizontal relationships– in this case – of partnership rather than authority.

## 2.2. Major government institutions responsible for SARD-M policies and related policies

### *Government institutions responsible for SARD-M policies*

Numerous central and local government institutions and agencies are involved in a way or in another in SARD-M policies; they are briefly introduced in the table below:

**Table 3: Main government institutions involved in SARD M and their functions**

<b>Institutions</b>	<b>Functions</b>
<b>Ministry of Agriculture, Food and Consumer Protection</b>	Ministry in charge of coordinating, agricultural, food, and rural development policies, including SARD-M policies
– General Directorate of Agricultural Polices	Directorate in charge of agricultural and rural development policies
○ Food Production Policy Department	Department in charge of crop and livestock production policies
○ Rural Development Department	Department in charge of coordinating rural development policies, including SARD-M
– MADA	Agency whose function is coordinating all investments in order to efficiently use the mountain area resources by also providing technical, financial and management assistance <sup>20</sup>
– 2KR Programme	Operational Agency dealing with subsidy management. It is supposed to be the predecessor of “Payment Agency” which is expected to be set up in the framework of Rural Development Strategy
<b>Ministry of Economy, Trade and Energy</b>	Ministry in charge of coordinating regional development policies
– Programming and Regional Development Sector	Sector in charge of coordinating regional development policies
<b>Ministry of Environment</b>	Ministry in charge of coordinating environment policies, including policies related to protection and sustainable use of natural resources
<b>Ministry of Tourism and Culture</b>	Ministry in charge of preparing and coordinating the implementation of tourism policies, including cultural and eco-tourism
<b>Department of Strategy and Donor Coordination – PM office</b>	Department in charge of strategy and donor coordination. It is supposed to give strategic directions to budget
<b>Ministry of Finance</b>	Ministry in charge of preparing and overseeing the medium-term budget programme and annual budget
<b>Ministry of Interior</b>	Ministry covering policy on local government (communes, municipalities, regional councils, counties)
<b>Regional councils</b>	Second level of local government in charge of regional (qark) development strategy preparation and implementation
<b>Communes</b>	First level of local government. They are supposed to participate in design and implementation of SARD M policies at the commune level
<b>MAFF</b>	Credit institution designed to provide credit to agricultural production clients living and working in poor, marginal mountain areas
<b>Albanian Development Fund</b>	Agency specialized in small infrastructure: roads, water supply systems, schools, small market infrastructure, including in rural and mountainous areas

<sup>20</sup> Refer to Annex: *MADA vision*. The “Vision” may change since MADA is expected to convert into a regional development agency.

Communes and regional councils are key players in terms of SARD-M policies. Because of their key role in terms of SARD-M policies and for the sake of clarity (the decentralization policy and the stage of reform is quite different from country to country), the following box bring some useful information on communes and regional councils as they affect SARD-M policies.

#### **Box 4: Communes and regional councils, and SARD-M policies**

**Communes** have the right and obligation to:

- Prepare and implement local economic development plans,
- Prepare and implement local plans to encourage small business,
- Issue construction permits<sup>21</sup>,
- Ensure proper maintenance and operation of school facilities and primary health care facilities<sup>22</sup>,
- Manage forests and pastures ownerships and distribution of their rights to rural people.

**Regional councils** functions of are quite unclear. Efforts are being made to develop a policy paper on the role and functions of the regional Council with still no concrete results. That having said regional councils currently perform a number of coordination functions, including:

- Coordination the preparation and implementation of regional development plans,
- Coordinating the identification and prioritization of inter-communes/municipalities projects,
- Construction permit issuance (and urban planning in general) on behalf of communes,
- Maintaining road infrastructure,
- Arbitrating distribution of infrastructure funds to communes.

Development of a new package of laws to consider urban planning, and land management affecting the communes' functions as well has already been prepared and is awaiting for approval.

#### ***Government policies related to SARD-M***

There is no SARD-M or SARD strategy in Albania<sup>23</sup>. The Forum for the Development of Mountainous Areas, convened in the beginning of 2005, concluded that:

*...mountainous areas are not part of any social, economic or environment analysis; sensitivity of Parliament, Government of Albania, political parties, main Albanian state institutions, foreign institutions and civil society toward problems faced by mountainous areas is quite low<sup>24</sup>.*

However, different aspects of sustainable agriculture and rural development are implicitly being addressed by the National Strategy for Development and Integration, Mid-term Budget Programme, three cross-cutting strategies (Rural Development Strategy, Regional Development Strategy, Strategy of Environment) and five sectoral strategies (Agricultural and Food Strategy, Strategy of Tourism Development, Transport Strategy, Health Strategy, and Education Strategy<sup>25</sup>). The above-mentioned strategies are being prepared or updated in the framework of new NSDI preparation<sup>26</sup>.

In the NSDI – 2005 Annual Progress Report, the GoA considers

*...agriculture and particularly agro-industry as one of...priority fields for economic development over the next 10-15 years.*

That having been said, there is no reference to mountain area development or even rural development. In fact, the current NSDI progress report does not yet represent a full-fledged strategy; such a strategy is expected to be finalized soon. The GoA programme and the National

<sup>21</sup> Communes and small size municipalities have been instructed to temporarily transfer the authority for issuance of construction permits to the Regional Council administration.

<sup>22</sup> Still in process of being transferred.

<sup>23</sup> An IFAD Programme for the Sustainable Development of Rural Areas designed in 2005 has not been approved.

<sup>24</sup> GoA, 2005, Strategjia Kombetare per Zhvillim Ekonomik dhe Social – Raporti i Progresit 2004.

<sup>25</sup> For the full list of crosscutting and sectoral strategies, refer to [www.km.gov.al](http://www.km.gov.al).

<sup>26</sup> Refer to Box: Integrated Planning system in Albania.

Plan for the implementation of Stabilization and Association Agreement (NPISAA) are supposed to be integrated into the NSDI to adequately address sustainable development, including sustainable rural development.

The GoA programme 2005-2009 focuses due attention to

*...integrated rural development, including the development of mountainous areas.*

Main areas of government support and policies include: non-agricultural business, infrastructure and rural services (power and water supply, health and education, and territorial planning), environment protection and rights to natural resources, decentralization and institutional development in rural areas.

NPISAA contains a large number of legal and institutional measures aiming at integrated rural development.

The Mid-term Budget Programme (MTBP), as a financial instrument which is supposed to support NSDI, puts special emphasis on integrated rural development. The Integrated Rural Development Programme – as part of MTBP - aims at improving

*“...quality of life in rural areas by promoting competitiveness enhancement of farm and agro-business sector, protecting natural resources and supporting capacity building to plan, manage and coordinate rural development activities”<sup>27</sup>.*

The programme will proceed with designing and implementing regional integrated rural development projects.

**Rural Development Strategy (RDS)** which is being developed is based on four axes as follows: (i) competitiveness of farm, agribusiness and forestry sector (ii) environment protection, (iii) quality of life in rural area, and (iv) participation in rural development.

The table below gives a “snapshot” of axes, titles and distribution of financial resources to support the Strategy.

**Table 4: Rural Development Strategy – Axes, titles and related funds**

No	Axes and titles	Part of funds
Total fund for rural development in 2006 equals US\$ M 73. It is planned to reach US\$ M 170 by 2013		
1	<b>Competitiveness of farm, agribusiness and forestry sector</b>	<b>60% of total budget</b>
	Agriculture modernizing and restructuring	55% of axe 1
	Marketing - quality enhancement through innovation	30% of axe 1
	Efficiency and sustainable use of forests	10% of axe 1
	Improving farmers and foresters capacities	5% of axe 1
2	<b>Environment protection</b>	<b>10% of total budget</b>
	Landscape protection in disadvantaged areas	90% of axe 2
	Agricultural practices intended to environment protection	10% of axe 2
3	<b>Quality of life in rural area</b>	<b>30% of total budget</b>
	Employment in rural areas	20% of axe 3
	Quality of life in rural areas	80% of axe 3
4	<b>Participation in rural development</b>	Projects in other axes will have a participation dimension
	Improve participation of RDS stakeholders	

Source: MoAFCP, 2007, Rural Development Strategy (draft)

Although there is no explicit reference to mountain area problems and policies, the RDS affects mountain area policies in practically all its axes and titles. Moreover, titles related to sustainable use of forests and increasing foresters capacities, landscape protection in disadvantaged areas, and agricultural practices intended to protect the environment are virtually intended to mountainous areas.

<sup>27</sup> GoA, 2006, Mid-Term Budget Programme 2007-2009.

From the draft document itself and from interviews with strategy stakeholders it becomes clear that the draft RDS is based on European principles for Rural Development. In the draft document, it is made explicit that “the document has been prepared according to article 11 of Council Regulation (EC) No.1698/2005”<sup>28</sup>. As such, the draft RDS represents and “nice paper” which is economically, socially and environmentally balanced.

Implementation of RDS in a mid-term time horizon will be implemented by a Payment Agency whose predecessor is “2 KR Project”, based on an “Action Plan” still to be prepared.

#### **Box 5: 2 KR Project - Support to Food Production Increase**

2 KR project stands for Second Kennedy Round, an initiative of former American president to support developing countries. Americans themselves invested in this initiative and then others, including the Japanese government which has joined the initiative.

The project is supposed to be the predecessor of “Payment Agency”. The last will be set up in the framework of Rural Development Strategy.

2 KR Project has implemented a number of projects, including support to vineyard sector, support to agribusiness sector, including in agricultural mechanization, etc. The last project has failed and GoA has already given up.

The two most important projects being implemented now by 2 KR project are (i) support to horticulture (viticulture, orchard and olive sector) and (ii) a revolving contra party fund. The support to horticulture project is co-managed by both 2 KR project and regional departments of agriculture. The revolving contra party fund provides credit for agribusiness sector with subsidized interest rate (0% interest rate) and then the fund rotates. The sectors supported by the fund are milk and meat processing; central heating greenhouse industry; storing and marketing of agricultural produce; and fruit and vegetable processing industry. Though the credit has been with 0% interest rate, there are problems in paying back the credit.

Source: 2 KR Project

It is important to highlight that RDS and 2 KR Project – the predecessor of Albanian payment Agency – mark a departure from the neutral policy already implemented in Albania since the transition to a market economy; RDS and 2 KR Project rely quite heavily on economic instruments (mainly subsidies) intended to motivate behavioural changes, though the record in managing this kind of policy option is rather poor.

***The Law No. 8593/2000, Ratification of the “Financing Agreement on the Mountainous Area Development Programme between Government of Albania and International Fund for Agricultural Development”***, though not included in the RDS draft, represents the only GoA piece of legislation addressing the mountainous areas specificities. The above-mentioned law foresees the establishment of a Mountainous Area Development Agency (MADA), establishment of a Mountainous Area Finance Fund (MAFF) and implementing a number of other rural development measures.

***Mountainous Area Development Agency***<sup>29</sup> is an important instrument of rural development with entirely mountainous area focus.

#### **Box 6: Mountainous Area Development Agency**

MADA was established through a CD in summer 2000. The Agency is financed by International Fund for Agricultural Development (IFAD), Albanian Government, Dutch SNV, Italian Cooperation, and a contribution of DFID. The Agency is operating in 16 mountain areas of Albania.

MADA was set up to prepare and implement a programme intended to efficiently use the mountainous areas resources (coordinating role) by also providing technical, financial and management assistance. In

<sup>28</sup> GoA, 2007, Rural Development Strategy (draft).

<sup>29</sup> See Annex No : Mountainous Area Development Agency Profile.

addition to this main focus, MADA was also in charge of implementing other components of the Mountainous Area Development Programme<sup>30</sup>, including irrigation infrastructure improvement, livestock development through improving veterinary services and pasture development, extension service and small road and water supply infrastructure.

MADA is managed by a steering committee and the executive director. The head of the steering committee is now the Minister of Economy (Minister of Agriculture used to be the former head of the board). The reason for this change is due to the conversion of MADA into a regional development agency.

Source: MADA

**Mountainous Areas Finance Fund (MAFF)** is the only financial institution focussing on mountainous areas.

#### Box 7: Mountainous Areas Finance Fund

MAFF was established by the Albanian Government in 1999 and registered for operations in April 2000. Funding sources include International Fund for Agriculture Development (IFAD), UK Department for International Development (DFID), and Albanian Government. Loan and operating funds of MAFF are provided by IFAD under the Mountain Area Development Programme. MAFF's total credit amount for 2004 was about USD 6.0 million.

The MAFF has been designed to provide social credit to agricultural production on a sustainable basis to clients living and working in poor, marginal mountain areas. To service the needs of the target group and the programme area, the MAFF will develop a range of credit products including: social lending to existing and future group-based Village Credit Funds (VCF); agricultural input loans through small traders associations; and loans for specialist producer associations and small-scale agro-processors. Provision has been made for technical assistance and logistical support for the MAFF under the programme<sup>31</sup>.

MAFF has been the only financial institution involved in retail lending in the mountain districts of Albania. MAFF aims to remain the leading financial institution for the mountain areas of Albania, providing credit to all inhabitants of the mountain areas, including those involved in agricultural, on-farm non-agriculture and off-farm enterprises, poor and non-poor household, and employers.

MAFF lends to groups (VCF - not successful due to the fact that many people are leaving the countryside to move to urban areas), individuals (farmers - good business) and SMEs (best business in the following sectors: wineries, dairies for small ruminants, hotels, poultry, fish farming, flour and saw mills). The average loan size is about US \$1,100 to individuals. Farmers use the credits mainly for livestock but also orchards, greenhouses, seeds etc. MAFF's clients keep sometimes more than 2000 sheep.

Source: MAFF and IFAD

MAFF lends to all inhabitants of mountainous areas involved in on-farm and off-farm economic activities. The interest rate tends to be market interest rates for large businesses and lower interest rates for small farms and businesses. This is not due to any subsidy policy but due to lower transaction costs involved. MAFF is in process of converting into a commercially registered bank. At any case, it is still remaining the leading financial institution for mountainous areas.

**The Regional Development Cross-cutting Strategy (RDCS)**, which is in the process of being prepared, has a clear focus on mountainous areas. 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<sup>32</sup>.*

<sup>30</sup> Law No 8593/2000, On the ratification of the "Financing Agreement Mountainous Area Development Programme between Government of Albania and International Fund for Agricultural Development".

<sup>31</sup> IFAD, 1999, Mountain Areas Development Programme.

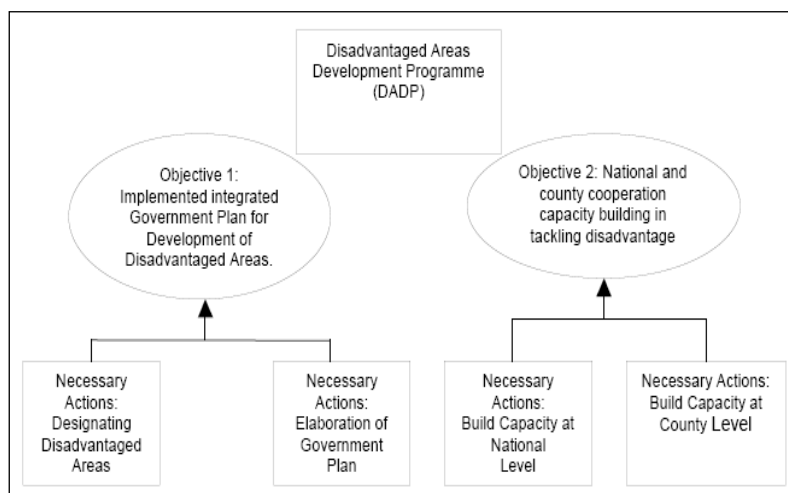
<sup>32</sup> GoA, 2007, Regional Cross-cutting Strategy.

According to the RDCS, the vision will be achieved through two strategic objectives: (i) ensuring that all regional councils (*qarks*) are enabled to contribute to sustainable development and competitiveness – and thus reduce social and economic disparities across the country; and (ii) setting in place an efficient management framework for regional development.

Two programmes will be prepared to achieve the first objectives: (i) the National Programme for the Development of Regional Councils and (ii) the Disadvantaged Areas Development Programme (DADP). In addition, a law on regional development should be passed and related institutional structures to manage regional policies should be set up.

According to the draft Strategy, DADP aims at eliminating the disparities between disadvantaged areas and the Albanian average by enabling national, regional and local actors to make a collaborative effort to maximize the development potential of those areas.

**Chart 1: Disadvantaged Areas Development Programme**



Source: GoA, 2007, Regional Cross-cutting Development Strategy

The chart provides a “snapshot” of the DADP. Objectives of the DADP are:

- (i) preparing and implementing a government plan for disadvantaged areas;
- (ii) building national and regional capacities for tackling the disadvantages.

The disadvantaged areas will be designated making use of a weighting formula based on several indicators, including: income per capita, unemployment

rate, municipal or regional council (*qark*) budget, income per capita, out-migration rate, educational attainment, hospital beds per capita, length of paved road per capita, etc.

**Sectoral Strategy for Agriculture and Food (SSAF)** focuses on seven strategic priorities: (i) complete land reform, land market development, and improvement of land administration and land protection; (ii) support to development of agriculture and agro-processing through increased financial support; (iii) improvement of marketing infrastructure and farmers access in the market; (iv) improvement of food standards and food safety; (v) improvement of the management of irrigation and drainage systems; (vi) improvement and transfer of new technologies and information for farmers and agro-processors; and (vii) develop organic production and specific products with high added value. In the strategic priorities contained in SSAF, there is no special focus or difference between low areas and mountains though it is supposed that the last are also affected by such policies.

Land reform, land market and land administration and protection represents a major program for the MAFCP. Given their influence on all other dimensions of SSAF, secured property rights on land constitutes a key component of the SSAF strategy.

#### **Box 8: Property rights on land**

Law No. 7501/91, Law on Land, has authorized the transfer of ownership of the agricultural fields (cultivated fields, perennial orchards and vineyards) of the former collective farms to farm families. The agricultural fields of state farms were divided among the employees under a right of use but, later, these holdings have been transformed into ownership<sup>33</sup>.

<sup>33</sup> Refer to Annex: *Rural land holding in 2004* for quantitative details.

The right to land should be registered in the Immovable Property Registration System (IPRS) which is supposed to unify all the archives; maintain a single format for keeping the data on ownership and subordinate rights; link all data to accurate location maps and surveys; and issue a standard Certificate of Ownership. The IPRS is based on a separate law, On the Immovable Property Registration System.

The main problems encountered during land reform include: difficulties in applying the Law On Land, still not finalized former landowner compensation, informal urban development, slow land registration, etc. As a consequence of these problems, land insecurity is pervading and land market is underdeveloped

World Bank, 2006, Status of Land Reform and Real Property Markets in Albania

*Strategy of Environment* (SEn) has a clear focus on sustainable development. The vision of the new GoA is "...fast and sustainable development..."<sup>34</sup>. In terms of natural resources, the Strategy pays due attention to erosion control, increasing protected zones area and making commercial use of protected zones potentials, protecting bio-diversity, protecting the quality of water resources, etc. The transfer of rights on forests, pastures and waters to communities and private users is considered as a major policy option to make sustainable use of these resources.

*National Strategy for the Development of Forestry and Pastures in Albania* (NSDFP) recognizes the "...continuity of usufruct rights or ownership transfer of forest and pastures to the local government..."

The Law No. 9385/05, On Forest and Forest Service, recognizes the public and private ownership of forest resources; the law recognizes the local government ownership of forests in addition to state ownership. On the other hand, the Law No. 7917/95, On Pastures and Grazing Lands, recognizes similar<sup>35</sup> ownership rights on pastures and grazing land. The government has been engaged in a process of transferring state owned forest and pastures in usufructs rights to communes and municipalities. It is expected that, in the process of inventory and transfer of state-owned lands to local government<sup>36</sup>, the rights of use will be transformed into ownership rights. However, these lands will remain classified as public use properties<sup>37</sup> and will not be eligible for subsequent sale in ownership to families, individuals or enterprises by the local administrations. It appears that the communes and municipalities will continue to offer subordinate rights of common usage, leases or rights of use.

The process of inventorying forests and pastures and determining the areas to be transferred into local government control has been underway for more than ten years. The responsible body (now) in the Ministry of Environment (MoE) has overseen the work of several projects, including Natural Resource Development Project, which continues the transfer of forest and pastures to communes and municipalities.

The Natural Resource Development Project also puts special emphasis on implementing Good Agricultural Practices and forestry and pastures management plans to protect land.

#### **Box 9: Natural Resources Development Project**

Project objective is to establish sustainable management on a community basis of natural resources threatened by erosion in 218 mountainous communes (cumulative).

Part A: Forest and pasture management and governance

This component of the project will deal with:

- Strengthening participatory management of forest and pastures in communes already supported by Forest and Pastures Associations;

<sup>34</sup> GoA, 2006, Cross-Cutting Environmental Strategy.

<sup>35</sup> The law does not recognise local government ownership, but it is expected to change.

<sup>36</sup> Law No 8744/01, On the Transfer of State Immovable Property to Local Governments. For more information on the status of decentralization reform, refer to Annex: *Status of the progress of the decentralization reform*.

<sup>37</sup> Law No 8743/01, On State Immovable Property.

- Implementation of participatory management of forest and pastures in 73 new communes;
- Improving governance for management of forest and pastures.

The project will assist communities in preparing/updating forest and pastures management plans and their implementation, and support them through small investment aimed at natural forest and pastures regeneration in order to sequester carbon. The project will pay due attention to forest and pasture association capacity building and assisting government institutions and communities in implementing measures included in the Forest and Pastures Strategy.

#### B. Basin management and governance

Project objective is to implement sustainable management of resources in 30 micro basins, covering an area of 190 thousand ha.

This component of the project will deal with:

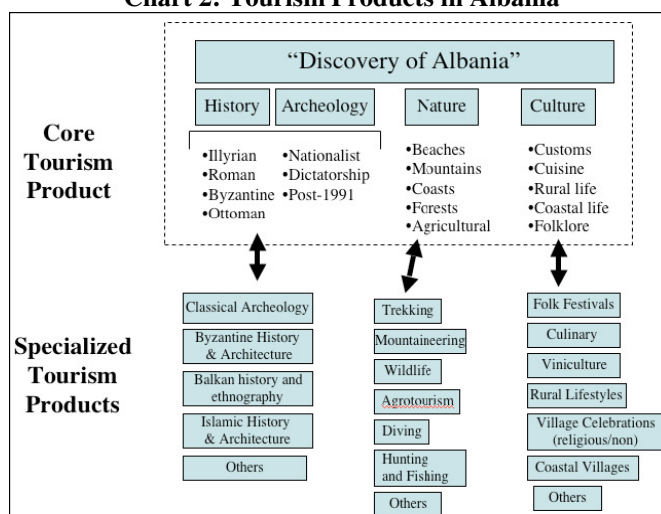
- Preparation of 30 forest and pastures management plans in basins;
- Implementation of these plans through small-scale investments and technical assistance for communal forest and pasture management, rehabilitation of forests, and support to farming;
- Strengthen governance for basin management through training, advising and capacity building.

Source: Law No. 9430/05, On Natural Resources Development Project

A former World Bank project has facilitated the usufruct rights of forest and pastures close to communes in 138 cases. The impact has been impressive in terms of forest regeneration.

The Government Programme cites *tourism* as one of the main sectors with the most potential to contribute to sustained long-term economic growth. In order to ensure a sustainable long-term growth of tourism, the government stresses the importance of an integrated management of cultural and natural heritage.

Chart 2: Tourism Products in Albania



Source: Ministry of Tourism, Culture and Sports

**The Strategy for the Development of the Albanian Tourism Sector (STu) of 2005 states that**

*“Cultural tourism and eco-tourism are the most important part of the Albania tourism product. Ecotourism is a real alternative for the improvement of incomes within rural communities”<sup>38</sup>.*

From the chart, it becomes clear that nature and cultural tourism are closely associated with rural and mountainous areas. Products such as trekking, mountaineering, wildlife, agro-tourism, hunting, folk festivals, culinary, rural lifestyles, village celebrations, etc. are

closely related to mountainous areas. For the development of the tourism sector according to this vision, the GoA has to support the accumulation of a “critical mass” of basic conditions in terms of human, institutional and infrastructural capital for public, private and societal actors. Such a “critical mass” is needed to overcome numerous challenges related to tourism development.

**Strategy of Transport (STr)**, states that GoA in cooperation with the local governments will fund the building of 4,000 km rural roads in four years (2005-2009: ES). This will create the preconditions for the development and poverty reduction in rural areas, including in mountainous areas.<sup>39</sup>

<sup>38</sup> GoA, 2005, Strategy of Tourism.

<sup>39</sup> Government Programme 2005-2009.

One of the main operational instruments involved in rural infrastructure improvement is the Albanian Development Fund (ADF).

#### **Box 10: Albanian Development Fund**

Since 1993, the Albanian Development Fund has been carrying out projects aiming to improve local infrastructure and to promote private sector development, especially among the poor. In 2004, activities were based on agreements with the Islamic Development Bank (rural infrastructure), the CARDS programme (local community development), KfW (social investment), the World Bank (community works), and the Council of Europe Bank. More than 150 investment sub-projects worth Lek 1.8 billion were contracted. The majority of resources were allocated to road (57%) and water supply (11%) projects.

About 300 local infrastructure priorities were re-evaluated by specialised social inspectors in collaboration with local government units. A participatory methodology for sub-project preparation, implementation and evaluation was developed.

The Fund wants to ensure that projects are not only embedded in a longer-term vision of community development, but also contains a robust community-based monitoring and evaluation component, as well.

Source: GoA, 2005, Strategjia Kombetare per Zhvillim Ekonomik dhe Social – Raporti i Progresit 2004

There are also numerous donors' initiatives/projects intended to support development in mountainous areas. The following provides two quite interesting approaches applied in (most) mountainous areas in Albania.

UNDP-Albania has played a major role in terms of supporting regional development, including in mountainous areas. Making use of Millennium Development Goals (MDGs) as a development framework, UNDP has supported all 12 regional councils (*qarks*) of Albania to develop *Regional Development Strategies (RDS) or Regional Development Reports*. Moreover, UNDP-Albania has taken over the implementation of one of these strategic frameworks in Kukes<sup>40</sup> region, one of the most mountainous areas in Albania.

The concept used is “Area-based development” as opposed to sectoral-based development.

#### **Box 11: Kukes Regional Development Initiative**

Funded by the European Commission (EC) and implemented by UNDP-Albania, the Kukes Regional Development Initiative (KRDI) provides vital infrastructure through a process led by community-based organizations and citizens of all communes in co-operation with the communes and municipalities in the Kukes District.

As part of Area-based Development, KRDI, along with Mine Action and Support to Security Sector Reform targets the poorer regions of the country, especially in the north - to directly support the implementation of Regional Development Strategies to achieve the MDGs.

KRDI promotes the participatory process for every infrastructure project. At the beginning of a project, everyone involved must sign their name in approval, including: the commune head, village chief, CBO leaders and members, a KRDI representative, the contractor and the engineer. This ensures ownership and involvement of community members and local governments.

Source: [www.krdi.undp.org.al](http://www.krdi.undp.org.al)

The UNDP approach of supporting regional councils is not free of critics however. Though UNDP is implementing one regional development strategy, the remaining 11 documents are rather neglected. The regional councils (*qarks*), which are the authors of these documents, do not have enough money to implement the RDS and RDS did not become part IPS which is the condition to qualify for funding.

<sup>40</sup> A similar initiative is being discussed for the Shkodra region. Shkodra region is also very mountainous.

GTZ-Albania has been supporting a project on *Regional Economic Development in Northern Albania*, a predominantly mountainous area.

**Box 12: Regional Economic Development in Northern Albania**

The project contributes to Regional Economic and Employment Promotion in Districts of Northern Albania; the *qarks* included in the project are Shkoder, Lezhe, Diber and Kukes which are very mountainous areas. The long-term aim is to integrate the disadvantaged areas into the development of the greater surrounding region, including the establishment of transnational infrastructure.

The functioning of cooperation between district administrations, municipalities and chambers of commerce and industry has markedly improved in the fields of tourism, agribusiness and promotion of micro-enterprises. In accordance with the stipulations of the EU Structural Fund, the first outlines of a regional development plan have been drafted with the participation of the co-actors.

Development planning is geared to the requirements of the EU regional development concept. Albania has established sustainable economic cooperation with Montenegro and Kosovo.

Source: GTZ-Albania

As one may observe, the project philosophy is rather different from that of UNDP-Albania. The UNDP supported the regional councils (*qarks*) to develop regional development strategies based on MDGs; GTZ-Albania supports a development zone, composed of four regional councils (*qarks*). Such a project involves a lot of cooperation among local units (including communes, municipalities, and *qarks*), central government affected institutions, chambers of commerce, universities.

### **3. Impacts, strengths and weaknesses of Policies Institutions and Processes**

#### **3.1. Impacts, strengths and weaknesses of policies**

As discussed in the preceding sections, numerous strategic documents address sustainable development and integrated rural development in Albania, including sustainable development in mountainous areas.

Strategic frameworks have managed to address overall mountain specificities, including potentials, constraints and diversity. The Strategy of Rural Development focuses due attention to environment protection mainly in disadvantaged areas; the Mountainous Area Development Programme aims at valorising the mountain area potentialities through institutional development aiming at coordinating all investment in mountain area and improving financing to these areas; the Strategy of Tourism includes development of a number of tourism products which are expected to exploit mountain area potentialities and diversity; the Regional Development Strategy pays due attention to disadvantaged regions; the Environment Strategy has a clear focus on sustainable development of mountains areas through measures aiming at controlling erosion, increasing the protected zones areas, protecting bio-diversity, protecting water quality, etc. Other sectoral strategies, including health, education, and transport also address different aspects of sustainable development of mountainous areas.

Though mountain area specificities are addressed rather sufficiently in a number of strategic frameworks, there is no SARD-M or even SARD document aiming at addressing mountain area specificities in an explicit, comprehensive, and coordinated manner. This has led to the lack of a corresponding institutional framework in charge of mountain area development; there is no body at the policy level responsible for mountain policies and there is no significant pressure in favour of mountain area policies. MADA remains a rather low profile institution which has not managed to become a focal mountain area development agency.

What are the main objectives of strategic frameworks addressing mountain area specificities and what are the impacts? The table below summarizes the discussion on policy frameworks, their objectives and related results:

Table 5: Strategic frameworks/policies affecting mountainous areas and their results

Frameworks	Objectives	Results/Impact verified or expected
<b>Rural Development Strategy</b>	Enhance competitiveness, protect environment protection, improve quality of life of rural people, including those living in mountainous areas, and improving participation of stakeholders	The strategy is in process of being prepared. Impact is to be assessed later
<b>Mountainous Areas Development Programme</b>	“Build a critical mass” in order to raise the standard of living of mountainous population, through:	Less than expected
<b>1. MADA</b>	– Coordination of financial institutions, development agencies and businesses interested in mountain areas development in order to efficiently use mountain area resources; and implementing a number of other rural development measures.	MADA has rather failed in its coordination function. Mediocre results associated with mountain area specificities. Moderate results in other dimensions
<b>2. MAFF</b>	– Support social capital through lending to group-based Village Credit Funds; farm modernization by providing input loans through small traders associations; farm modernization and social capital by providing loans to specialist producer associations; agro-processing by providing loans to small-scale agro-processors	Though MAFF has managed to become a viable financial institution, it has failed to meet a number of objectives, including building social capital through group-based Village Credit Funds
<b>Regional Cross-cutting Development Strategy</b>	All <i>qarks</i> are enabled to contribute to sustainable development and competitiveness – and thus reduced social and economic disparities across the country Setting in place an efficient management framework for regional development	The strategy is in process of being prepared. Impact is to be assessed later
<b>Environment cross-cutting Strategy – Forest and Pastures Strategy</b>	Improve policies and increase capacities of public, i.e. central and local governments, and non-public actors to make possible the protection and development of natural resources	Transfer of usufruct rights on forest and pastures – where implemented - has resulted in impressive forest regeneration. Limited progress in other areas
<b>Sectoral Strategy for Agriculture and Food</b>	Improve (and implement) legislation and institutions that guarantee property rights, mainly land property rights, and support market development; increase economic operators (farmers, processors and others) capacities through direct financial support and advice to produce safe, organic and high value-added produce; improve irrigation and market/marketing infrastructure	Impact is to be assessed later. However, the predecessor of SSAF failed to complete land distribution and guarantee land ownership security, increase economic operators capacities, and improve agricultural market infrastructure in mountainous areas
<b>Tourism Strategy</b>	Support accumulation of a “critical mass” in terms of human, institutional and infrastructural capital for public, private and societal actors in order to realize the vision for a “cultural and eco-tourism”	Cultural and eco-tourism in mountainous areas remains underdeveloped due to huge investments needed and tremendous coordination efforts involved
<b>Education and Health</b>	No special reference to mountainous areas	Slow reform regarding establishment of regional schools; and addressing education quality
<b>Transport Strategy</b>	Improvement of road infrastructure, including in mountainous areas	Some progress has been made, but the rural roads remain in bad conditions and represent a major constraint to development

As one may well understand from the above table, the results of policies are rather modest. A number of strategies are in the process of being prepared and their impact is to be assessed later. However, the impact/results of predecessors of these strategies and the impact of the strategies already implemented/under implementation show a limited impact on the lives of mountain people.

The Forum for the Development of Mountains observed that:

*In Albania, there is no specific policy on the development of mountainous areas. Mountain populations feel insufficient support from the state institutions and international partners and therefore are pessimistic on the perspectives of development of these areas<sup>41</sup>.*

Mountain area policies implemented up until now have been rather unstructured and have not helped in the efficient use of resources. Policies implemented by MADA, the only institution focusing on mountainous areas, have been rather unstructured and have been focussing on solving immediate problems to mitigate immediate poverty. They have not been guided by strategic plans to make efficient use of mountain area resources.

It is worth noting that MADA has not developed into a pivotal organization for financial institutions, development agencies and businesses interested in mountain area development, as foreseen in the policy.

*MADA activity is rather unstructured. Up until now, MADA has built just irrigation channels.*

This is a rather cynical evaluation for MADA made by a key stakeholder to show that the Agency has not played any major role in terms coordination with the objective of strategic development of mountain areas.

#### **Box 13: Need for project coordination in mountainous areas**

International Fund for Agricultural Development (IFAD) has already supported two successive investments projects in poorer, mountainous areas of Albania: the Northeastern Districts Rural Development Project with a loan of SDR 8.4 million and the Small-scale Irrigation Rehabilitation Project with a loan of SDR 6.1 million. The two projects illustrated the "...difficulty of achieving significant impact on rural livelihoods through a focus on a single sub-sector or via a multiplicity of separately implemented and widely dispersed initiatives individually capable of generating only limited gains in any one aspect of marginal area development"<sup>42</sup>.

Source: IFAD, 2005, Programme for Sustainable Development in Rural Mountain Areas

Investment without any coordination logic is affecting local government in addition to MADA. A stakeholder in Korca region explains that:

*Local government invests in mini projects or emergency projects without any vision. They should stop doing that in favour of more coordinated and strategic approach.*

The strategic documents being prepared/updated represent quite "nice papers" that are economically, socially and environmentally balanced. They will, however, more than likely encounter implementation problems; as have the strategic documents under implementation. Rural Development Strategy, Regional Cross-cutting Strategy, Environment Strategy, Tourism Strategy, and other sectoral strategies represent documents that are too ambitious to be managed by Albanian public and societal institutions. They assume a certain set of already existing capacities in the government (at central and local and regional levels), civil society, business community, etc., and a certain way of communication between stakeholders which does not actually exist.

<sup>41</sup> GoA, 2005, Strategjia Kombetare per Zhvillim Ekonomik dhe Social – Raporti i Progresit 2004 .

<sup>42</sup> IFAD, 2005, Programme for Sustainable Development in Rural Mountain Areas.

### 3.2. Impacts, strengths and weaknesses of Institutions and processes

From the previous discussions, it can be seen that the impact of strategic documents and policies on mountain people's lives is rather modest; the discussion on entry point policies supported that the impact of granting subsidies to farmers will be also modest. Despite good intentions, and "nice" policies on paper, they bring little results. This is due in large part to weaknesses outlined in this section on processes and institutions involved.

#### *Political processes*

As discussed earlier, there is a will from the top political leadership to countries sustainable development<sup>43</sup>. However, very often policies remain insufficiently implemented and insufficiently enforced mainly due to a lack of advocacy groups and due to weaknesses of public administration. It seems that political ambitions are much stronger than what public administration can manage.

It is worth noting that membership-based organizations in Albania, including those related to SARD-M are simply missing. Efforts to support such groups related to mountain area policies have produced mediocre results.

#### **Box 14: Mountainous areas forums in Albania**

MADA has supported the establishment of seven mountainous areas forums, namely in Korce, Diber, Berat, Kukes, Permet, Librazhd and Mirdite. The process has been technically managed by Institute for Contemporary Study, an Albania think tank/consultancy company.

Mountainous area forums are consisted of groups of interests, including local government, civil society organizations, local business, outstanding public figures, development agencies, etc. Parliamentary members elected by mountainous areas are not part of forums.

During 2005, the 7 district promoter groups successfully undertook a range of lobbying and influencing activities. After 2005, the role of Forums is rather missing, particularly in terms of policy advocacy in favour of mountainous areas.

Source: MADA

Mountainous Areas Forums supported by MADA have not managed to play any significant role in promoting mountain area policies.

*Though the main purpose of the forums is to advocate in favour of mountainous areas, the role of these forums in terms of promoting mountainous areas policies is almost missing.*

explains MADA executive director. In any case, the lack of pressure groups is considered a major weakness of political process and there are plans to support the establishment of a national mountain areas forum and a mountain area parliamentary members association.

The lack of pressure from the "membership-based" organizations is not compensated by the parliamentary members elected from the mountain regions. Although there is no parliamentary movement aiming to pressure the government to take into consideration mountain specificities, supporting the establishment of an association of parliamentary members elected in mountainous areas is part of MADA's agenda. The director of MADA explains that:

*we intend to promote and support the establishment of a parliamentary members (PM) association. The PMs coming from the mountainous areas will be members of this association. The support for an office and secretariat and other activities may be supported by MADA.*

There is previous evidence PMs elected from mountainous areas have shown good will in promoting policies in favour of these areas.

<sup>43</sup> Refer to paragraph 2.2. Major government institutions responsible for SARD-M policies and related policies.

*One of the most enthusiastic groups that joined the “project” of setting up a mountainous area forum was the lobbying of PMs elected from the such regions, established in 2003, which contributed... in influencing government policies in favour of mountainous areas<sup>44</sup>.*

The effectiveness of mountain area polices is also negatively affected by a lack of cooperation due to political barriers. Cooperation between central (and central de-concentrated agencies) and local government, especially when they belong to different parties, is deficient when it comes to mountain area development.

*We do not talk enough to the regional council when it comes to development and implementation of policies,*

the director of regional directorate of agriculture and food of Dibra says.

### ***Participatory processes***

Preparation of sectoral and cross-sectoral strategies is “administered” by separate prime ministers orders, which also regulates the forms of participation. On the other hand, preparation of laws and cabinet decisions must be preceded by consultation. The last is regulated by the Law No. 9000/03 and CD No. 584/03. According to the Law No. 9000/03, government should set up inter-ministerial teams and expert working groups when preparing/amending laws and cabinet decisions. The CD 584/03 requires ministers in charge of specific sectors to issue separate orders on the forms of participation.

The main “SARD-M” policy (as part of separate strategic documents and programmes) stakeholders include:

- Ministry of Agriculture, Food and Consumer Protection
  - General Directorate of Agricultural Polices
    - Food Production Policy Department
    - Rural Development Department
  - 2KR Programme
- Ministry of Economy, Trade and Energy
  - Programming and Regional Development Sector
  - Business Policy Department
- Ministry of Environment
- Ministry of Tourism and Culture
- Department of Strategy and Donor Coordination – PM office
- Ministry of Finance
- Ministry of Interior (covering local government)
- MADA
- Mountainous areas forums
- Albanian Development Fund
- Rural local government (communes)
- Regional councils
- Mountainous areas parliamentary members
- Environmental NGOs
- Agro-business Advisory Council
- Development agencies
- Donors.

In fact, consultation is considered more as a transmission of policies prepared by central government – and sometimes simply by consultants - rather than a partnership. Therefore, policies have limited ownership and commitment on the side of stakeholders. This is due to a number of reasons including insufficient preparation of consultation meetings; missing culture “to listen” to stakeholders views on the side of government agencies in charge of consultation; not

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<sup>44</sup> GoA, 2005, Strategjia Kombetare per Zhvillim Ekonomik dhe Social – Raporti i Progresit 2004.

enough participation on the side of stakeholder due to lack of empowerment (insufficient negotiation power, insufficient expertise), etc.

### *Institutional arrangements*

Albania is radically changing its planning architecture. An Integrated Planning System (IPS)<sup>45</sup> is replacing the former planning system that was not comprehensive, did not take enough direction from the government and was disconnected from the medium-term budget.

#### **Box 15: Integrated planning system in Albania**

Since November 2005, the IPS has provided a set of operating principles to ensure that government planning and monitoring takes place in a coherent, efficient and integrated manner. Two existing processes cover all government activities:

- A national medium- to long-term strategic planning process, the NSDI (2007-13), establishes strategic priorities and goals. The NSDI is expected to be approved in early 2007; and
- A medium-term budgeting process, the MTBP, requires each ministry to develop a three-year plan within an expenditure ceiling to achieve its policy objectives consistent with the NSDI.

Four core processes will be fully reflected in the strategic planning and budgeting processes: (i) European and Euro-Atlantic integration; (ii) Government Programme; (iii) public investment management; and (iv) external assistance management.

Under the IPS, strategic and budget planning are components of a single public expenditure management system:

- Line ministries set medium to long-term goals in their sector strategies. Line ministries also broadly estimate the resources needed to achieve these goals.
- The Department of Strategy and Donor Coordination (DPDC) prepares options for the broad inter-sectoral allocation of resources for the Strategic Planning Committee at the beginning of each MTBP cycle.

The Strategic Planning Committee (SPC) and the CoM decide on the broad inter-sectoral resource allocations over the medium-term in order to initiate the MTBP preparation process.

NSDI 2005

The IPS represents a major coordination mechanism. All cross-sectoral and sectoral strategies should be integrated into the NSDI. The SPC and the CoM then decide on resource allocation.

While DPDC is in charge of coordinating the whole IPS, inter-ministerial technical groups are set up to deal with preparation, implementation, monitoring and reporting on cross-cutting strategies. Cross-agency political authorities are also set up to assure that political processes are carried out properly and that document preparation, implementation, monitoring, and reporting are done as planned. It is to be noted however that cross-agency coordination remains a problem.

Specialized institutions have been set up to deal with rural and regional development. They are, however, quite young and their capacities in terms of number of staff, experience and expertise are limited.

Capacities at the central level to coordinate design and implementation SARD M policies are obviously insufficient. The entity in charge of rural development in the MoAFCP is small; the structure of regional development in the METE has just one person in charge of dealing with regional policy

*It is clear that the current structure has not the required "horse powers" to properly manage the process of coordinating design and policy implementation*

explains the representative of UNDP-Albania.

<sup>45</sup> Refer to Annex: *Integrated Planning system in Albania* for a mapping of IPS system and process.

In fact, one may well find that almost all structures dealing with sustainable development are rather understaffed. The total number of public staff dealing with environment protection in Albania – for instance – is 200 people, or 1 per 14 thousand inhabitants; this is too low compared even with the new EU member states which are 1 per 4 thousand<sup>46</sup>.

Cooperation among central government agencies involved in mountain area development is insufficient or sometimes simply missing.

The following matrix shows clearly that links among strategies are omnipresent:

Rural development strategy (RDS), for instance, is closely linked with all other strategies. While agribusiness and farm development in terms of competitiveness enhancement, are mainly MAFCP tasks, they are

Strategies and their links										
<b>RDS</b>										
<b>RDCS</b>	+									
<b>SEn</b>	+	+								
<b>SSAF</b>	+	+	+							
<b>SoH</b>	+	+	+	+						
<b>SEd</b>	+	+	+	+	+					
<b>STu</b>	+	+	+	+	+	+				
<b>STr</b>	+	+	+	+	+	+	+			
<b>SEk</b>	+	+	+	+	+	+	+	+		
<b>SEm</b>	+	+	+	+	+	+	+	+	+	
	<b>RDS</b>	<b>RDCS</b>	<b>SEn</b>	<b>SSAF</b>	<b>SoH</b>	<b>SoE</b>	<b>STu</b>	<b>STr</b>	<b>SEk</b>	<b>SPu</b>

+ There are links

closely related with the Strategy of Economy (SEk), and the Strategy of Employment (SEm). Environmental protection and quality of life in rural areas – two major pillars of RDS – represent clear focuses of SEn, and SoH, SoE, STr, etc. Though MoAFCP have to report on environment and quality of lives, other institutions are in charge of preparing and implementing such policies. One may extensively comment on a “web” of links among all mentioned strategies. Hence, it becomes clear that isolation is to be excluded and that there is no substitute to continued communication among agencies.

Communication among agencies responsible for separate cross-cutting or sectoral strategies is insufficient. During RDS consultations of at the regional level, people pointed out very clearly the lack of communication between strategic documents. In the Korca consultation meeting, people expressed concerns that the RDS does not take into account “... technology transfer issues”, or “...access on forest and pasture resources”, or “...agro-tourism development” which are sufficiently addressed in SSAF, SEn, and STu respectively.

Local governments<sup>47</sup> have important functions related to sustainable development in rural/mountainous areas: designing and implementing local economic development programs, supporting small business development, supporting local economic development, forest and pasture management, urban planning and land management are exclusive functions of local government<sup>48</sup>. Therefore, SARD-M should be closely associated with capacities and processes of local government.

Capacities at the commune level<sup>49</sup> in terms of implementing SARD-M policies are obviously insufficient. The number of staff and their knowledge on SARD are limited. The communes’ funds available, especially in mountainous communes, are critically insufficient. Capacities at the

<sup>46</sup> GoA, 2006, Strategy of Environment.

<sup>47</sup> Refer to 2.1 *Political history and system of governance* for the levels of local government.

<sup>48</sup> Refer to Annex: *Status of the progress of the decentralization reform* for the functions of local government.

<sup>49</sup> Communes represent the first level of local government in rural areas. Commune councils and heads are elected directly from voters. They have the authority to collect taxes.

Regional Council (RC) level<sup>50</sup> in terms of designing and implementation SARD M policies are much better than at commune level; at regional council level there are policy and programming departments. They have a broad vision on rural and mountain development. Though quite well positioned for designing and implementing regional development strategies, including SARD-M strategies, RCs suffer two major shortages: (i) lack of clear competencies, and (ii) insufficient funding – they are desperately dependent on central government or first level government funding.

### ***Financial mobilization***

As explained earlier, all cross-sectoral and sectoral strategies are embedded in the NSDI. Therefore, it is assumed that once “qualified” in the NSDI for funding, there exist strong chances that sustainable development can be continuously financed.

There are good opportunities to promote capacity development at the local level through financing local governments receive from donors, namely EU, USAID, DFID, etc.

There is however a real problem when it comes to funding coming from domestic sources. As discussed earlier, a number of strategies require an important role for local government - RCs and communes. RDCS, for instance, is heavily based on the RC role. However, RCs do not have the authority to generate tax income; for carrying out their functions, they are dependent on communes, municipalities, and the central government. As a general case, RCs are under-funded and this problem may become “bolder” during co-habitation - when communes, municipalities, and central government on one hand and RCs on the other belong to opposing parties.

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<sup>50</sup> RC represents the second level of local government. RC and heads are elected by other commune and municipally councillors. As a rule, RC does not have the authority to collect taxes; they are funded by central budget or commune and municipality contributions.

#### **4. Summary of findings and recommendations**

Main strong points and weaknesses of policies, institution and processes related SARD M in Albania and main lessons learned, and recommendations and proposals for follow-up activities are summarized below.

Strengths, weaknesses, opportunities and threats are presented in a “classical” SWOT analysis, in the following paragraph.

## 4.1. SWOT analysis of SARD M policies, institutions and processes

Table 6: SWOT analysis of Policies, Institutions and Processes for SARD M policies

	Strengths	Weaknesses	Opportunities	Threats
<b>Policies</b>				
<b>Entry point policies</b>	<p>Priority to support fruit and livestock sector is considered as pertinent from economic, social, environment and cultural standpoints</p> <p>Strategic Investments Plans, based on a value chain approach, prepared by MADA, support both small ruminant and vineyard sectors</p>	<p>No distinction between mountainous areas and lowland areas in terms of orchard and fruit and livestock sectors</p> <p>Problem mapping is rather inadequate. Though a value chain approach is recommended, it becomes clear that access to and land ownership insecurity, and underdevelopment of whole value chains (including severe underdevelopment of processing industry) rather than insufficient orchard development seems to be among the central problems for mountainous areas</p> <p>Problem analysis in terms of policy options to solve identified problems is rather poor</p> <p>Policy alternative opted for, i.e. provision of subsidies to farmers for area planted – will more likely encounter implementation problems, due to excessive administrative efforts involved</p> <p>Consultation of all stakeholders is insufficient</p> <p>Impact of subsidies to farmers on mountain area development will very likely be modest, because of improper problem mapping, problem analysis, policy formulation and policy decision</p>	<p>Agribusiness development is a major priority of GoA</p> <p>EU and other donors are prone to support food safety mainly in small/lamb livestock sector due to its export potential</p>	<p>The lack of focus on mountainous areas may result in less funds to these areas</p>
<b>Other SARD-M</b>	<p>Several strategic documents address (often implicitly) mountain area specificities (potentialities, constraints and diversity)</p>	<p>No distinction between lowland and mountainous areas policies in the National Strategy for Development and Integration (NSDI) and in other strategic documents</p> <p>Sustainable agriculture is inadequately included in strategic documents. Agricultural bio-production</p>	<p>EU integration process represents opportunities in terms of sustainable agriculture and rural development, including in mountainous areas</p>	<p>The lack of focus on mountainous areas may result in less funds to these areas</p>

	<b>Strengths</b>	<b>Weaknesses</b>	<b>Opportunities</b>	<b>Threats</b>
		remains an intention and integrated production is rather unknown concept		
		No focus on sustainable agriculture in mountainous areas of the SSAF		
	Specific programme - Mountainous Area Development Programme - addresses mountain area specificities	Limited impact of specific mountainous policies		
<b>Institutions</b>				
<b>National</b>	There exist directorates/sectors in charge of rural and regional development policy	Specialized sectors/directorates have insufficient capacities in terms of number of staff and expertise to deal with SARD-M policies	EU integration process provides opportunities in terms of institutional strengthening	
<b>Sub-national – de-concentrated<sup>51</sup> agencies</b>		No rural/regional development capacities (staff and expertise) at the regional de-concentrated level. Regional Directorate of Agriculture and Food at the regional level have an agricultural expertise rather than a RD focus and expertise		
<b>Local</b>		Capacities at the commune level (staff and expertise) in terms of implementing sustainable development policies are very limited		
	There exist policy and programming departments at the RCs level. They have a broad vision on rural and mountain area development	Lack of sufficient funds and lack of consolidated and legally and practically recognised RCs functions by central government, and communes and municipalities	Regional Cross-Cutting Development Strategy recognizes a major role for <i>qarks</i>	
<b>Processes</b>				
<b>Political processes</b>	Clear will from the top political level on sustainable development of the country	No influential pressure groups, including farmers associations, mountainous area elected, etc.		
		Insufficient cooperation among central government agencies and between central and local authorities involved in mountain area development, especially		

<sup>51</sup> Regional de-concentrated agencies are central institutions located at the regional level (Regional Department of Agriculture and Food is under the MAFCP; Regional Department of Environment is under the MoE). They are different from the regional councils. The latter represents the second level of local government.

	<b>Strengths</b>	<b>Weaknesses</b>	<b>Opportunities</b>	<b>Threats</b>
		when they belong to opposed parties		
<b>Participatory processes</b>	Legal requirements to consult stakeholders	<p>Consultation considered more as a “communication” of policies (prepared by the central government – and sometimes simply by consultants) to stakeholders rather than a partnership</p> <p>Participation on the side of stakeholders is rather limited due to a lack of stakeholders’ negotiation power and expertise and lack of government culture “to listen”</p>		
<b>Technical processes</b>	<p>Strategic documents, including those affecting mountainous areas embedded in a integrated planning system (IPS)</p> <p>Technical working groups to deal with cross-cutting strategies are set up</p>	<p>The IPS considered as too ambitious for the Albanian public administration to absorb</p> <p>Cooperation among central government agencies responsible for mountain area development is insufficient or sometimes simply missing</p>		
<b>Financial mobilization</b>	Strong chances that sustainable development is continuously financed once qualified for funding into NSDI	Insufficient funding at the commune and regional levels; mountainous communes are poor and RCs are financially dependent on the first-level local government and central government	<p>High chances that RDS can be funded by EU since it is prepared according to EU guidelines</p> <p>Local government can attract external financial resources, e.g. from EU, DFID, USAID.</p>	Risk of RC under-funding, especially during co-habitation <sup>52</sup>

<sup>52</sup> Situation in which central government belongs to one party/coalition and local government belongs to the opposing party/coalition.

## 4.2. Lessons learned, recommendations and proposals for follow-up activities

### Lessons learned

**1. *Mountainous areas in Albania have great development potentials but the sensitivity of society towards mountains is limited***

Mountainous areas are rich in natural resources. These areas have great potentials for the development of agriculture in general and horticulture and small livestock in particular, as well as for the development of tourism and handicrafts. These potentials, however, are underdeveloped and therefore life conditions in these areas are inferior to those of other regions of Albania. This is because the sensitivity of government, parliament, civil society, etc. towards mountains is limited.

**2. *The impact of policies depend heavily on policy ownership and pressure of interests groups***

The mediocre impact of policies on mountain area development and mountainous areas people's lives is due to insufficient policy ownership and lack of pressure from organized advocacy groups

**3. *The impact of a multiplicity of scattered, uncoordinated projects is negligible***

The experience of a number of donor-funded projects, including IFAD, shows that the impact of many small, scattered, uncoordinated projects is negligible. The current MADA experience also confirms the finding.

**4. *Every strategic framework should be part of a politically recognized integrated planning system in order for it to be sustained***

Experience in Albania shows that initiatives that have not been part of a politically recognised system (regional development strategies supported by UNDP-Albania remain largely un-implemented, because RCS do not have sufficient funds and because the strategies did not succeed to become part of Albanian planning system. Other strategies have also failed because they have not been part of a politically recognized integrated planning system). Therefore, for a strategic framework to be sustained, it should be part of the politically recognized planning system. Albania has agreed upon an integrated planning system, composed of the NSDI, MTPB, and a number of sectoral and cross-sectoral strategies.

### Recommendations and follow up activities

#### Policies

**1. *Consolidate SARD (M) policies into a unique document and assign responsibility to RDS structure as a policy body and to MADA as a operational agency***

There is no separate SARD-M document in Albania. That having said, numerous aspects of sustainable agriculture and rural development in mountainous areas are being addressed in several strategic framework. Consolidation of different aspects of SARD-M policies in a unique document may prove to be beneficial. The consolidated document should be accompanied by an action plan based on measures already contained in already existing strategic framework. Policy responsibility should be assigned to the RDS structure in the MoAFCP; and operational reasonability should be assigned to MADA. The document and action plan may evolve later on into a full-fledged SARD-M strategy.

**2. *Improve access and ownership security to land resources***

Transfer of rights to forest and pastures is a major factor contributing to improved economic, social and environment situation of mountainous areas. Proceeding fast with the reform of transferring usufruct and ownership rights on forest and pastures to communities – foreseen in both the Environment Strategy and Forest and Pasture Strategy - is obviously of paramount

importance. This is equally important everywhere in mountainous areas but it is more pressing in most remote areas where arable land is critically limited and where pressure is exercised on forest and pastures is too high.

Preparing and implementing policies intended to promote the land market is an economically, socially and environmentally beneficial policy, given the depopulation of rural areas, especially mountainous remote areas. With the complexity of land markets, a policy that will motivate land rent may prove beneficial in bringing existing idle land into economic use.

**3. *Support pilot value chain projects to set examples for mountain area development***

Interventions in mountainous areas should embrace complete value chains (inputs, farming, processing, transport and marketing) rather than parts of the chains. Support to pilot value chains development projects for limited sectors with comparative advantages can set examples which may prove to have a beneficial multiplying effect. MADA may play a coordinating and broker role among different stakeholders and agencies. Based on value chain studies, government may develop value chain policies for fruit and small livestock sectors, for instance, to address the most important value chain bottlenecks carefully choosing working policy options. The processing level should have a special focus. This is in line with broader GoA policy: “The Government Programme considers a shift from subsistence to market-oriented agriculture underpinned by the development of agro-industry as a key aim”.<sup>53</sup>

**4. *Support marketing through the development of brands and protected designations of origin***

The development of brands and designations of origin for specialized local, fresh or processed products, such as “Dibra apple”, “Southern Albania Lamb”, “Skrapari raki”, “Narta wine”, etc. and a marketing strategy to create a market for them would require a package of policies, including an improvement in the legal framework, protection of industrial property (trademarks and designation of origin), technical assistance and technology development.

**5. *Support development and implementation of projects that respect continuity of development potentials rather than administrative/political borders***

Potentials of mountainous areas are continuous; so are the constraints and diversities. Therefore, sometimes it is rather inappropriate to mechanically develop projects and programmes that respect administrative or even political (between countries) borders. Therefore, sometimes projects and programmes will have to involve several administrative or local government units within each country or even several countries when it comes joint country projects. Such an approach may prove helpful even in terms of qualifying for EU structural funds. Within Albania, for instance, there may be three or four development zones that can be designated to coincide with EU NUTS 2. Such a logic is also valid in terms of cross-border projects regarding natural resources protection and development, cross-border trade, transport and tourism, etc.

**Institution and Processes**

**6. *Support institutions in charge of SARD-M, starting from the Rural Development Department in MoAFCP and MADA***

The Rural Development Department in MoAFCP should be supported to improve understanding and develop skills in terms of SARD-M. However, technical staff themselves cannot make the difference without a better understanding by political/senior leadership. Study tours – with the participation of senior technical staff, political leaders and parliamentary members may be quite effective in starting the change. In addition to policy/political level, MADA should be supported to deal with policy implementation.

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<sup>53</sup> GoA, 2007, NSDI Progress Report 2005

**7. *Support establishment of an association of Parliamentary Members elected from mountainous areas***

The consolidated SARD-M document and related action plan (refer to recommendation 1) will most likely remain unimplemented unless there is a strong political pressure supportive to the policy document and action plan. The “membership-based” civil society in Albania is rather underdeveloped; mountain area forums supported by MADA have hardly had any influence at all in policy-making. Therefore, it will most probably take a long time until non-public interest group representatives become influential. Hence, an association of PMs elected from mountainous areas seems to be a feasible and effective instrument to exercise the needed positive pressure to design and implement SARD M policies. The available evidence supports that PMs may play an important role.

**8. *Preserve and develop social capital with a long-term perspective***

Social capital is a scarce resource in Albania. However, a number of initiatives, including some in mountainous areas, have invested in social capital. Mountainous Area Forums, Community-based Organizations, Forest and Water Users Associations, are among the examples of social capital. There is a general perception that these kinds of associations will stop running once the project ends. It is therefore of crucial importance to capitalize on the current forms of social capital to keep them “alive” and develop them in a country where collective action is at critically low levels.

**9. *Improve electronic access to strategic documents and action plans affecting SARD-M and organize seminars on cross-sectoral and intra-sectoral communication benefits***

It is quite hard to find copies of strategies related SARD-M, including strategies already approved. Hence, staff responsible for SARD-M do not have any knowledge on the content of other strategies which affect the strategy under discussion<sup>54</sup>. It becomes therefore clear that a transparency enhancement policy through, for instance, putting all strategies in an easily accessible database will improve the knowledge base and create conditions for better communication among central institutions involved in SARD-M. This transparency policy may be complemented by an inter- or intra-sectoral seminar on the benefits of “strategy communication”.

**10. *Develop a Regulatory Impact Assessment (RIA) system for mountainous areas***

Mountainous areas have specificities (potentials, constraints and diversities). The same neutral policies may have substantially different impact on mountainous areas as compared to lowland areas. Assessing the impact of every policy affecting mountainous areas is a useful instrument to make government aware on the impact neutral policies are expected to have on mountainous areas or – in the best case – to make government aware on the need to design and implement separate policies for mountains. The development of a RIA system for policies affecting mountainous areas will have to include: a formal requirement on assessment of impact policies will have on mountainous areas; development of a written approach on assessing the impact; training of affected public civil servants, etc.

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<sup>54</sup> Actually, this is a general phenomenon affecting all civil service staff, including senior staff.

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### Annex 1: Mountain Areas Development Agency – MADA – Profile

<b>Country</b>	ALBANIA
<b>Title</b>	<b>Role and the strategic vision of Albanian Agency for Development of Mountains Areas (MADA)</b>
<b>Time life</b>	MADA was created 4 August 2000, under the decision of Council of the Ministers for realizing the “Program of development of mountain areas”
<b>Source of funding</b>	IFAD (loan and grant), Albanian Government, Dutch SNV, Italian Cooperation, contribution of DFID, etc, finance MADA.
<b>Location /Territory</b>	MADA is operating in <b>16 mountain areas of Albania.</b>
<b>Mountain specificities</b>	<p><b>Constraints</b></p> <p>Life conditions in these areas are worse than in other regions of Albania. Public services such as hospitals, centres of health care, schools and kindergartens in many cases lack quality or are sometimes nonexistent. In addition, mail service, telecommunication, roads, water and energy supply are still problematic in these areas.</p> <p><b>Diversity</b></p> <p>They are rich in natural resources (minerals, hydro resources, forests, food products of a high quality and a high level of livestock raising), but their actual development is still very low.</p> <p><b>Potentialities</b></p> <p>The mountain areas in Albania are a very important part of the whole country because they occupy more than 60% of the whole Albanian land, in which 35% of the Albanian population work and live.</p> <p>Development of handicrafts and the traditional work like the reprocessing of leather, wood, wool clothes, carpets and rugs.</p> <p>These areas are also known for cooking some special types of food. These areas have great possibilities for development of the tourism sector in general and specifically the natural tourism, historical tourism, agro-tourism and especially cultural tourism.</p>
<b>Objectives</b>	<p>The principal objective of MADA is the increasing of revenues of the families in the mountain areas of Albania, especially of rural poor population.</p> <ul style="list-style-type: none"> <li>• <b>At the international level:</b> The foreign institutions should help the decentralization process as this is of great importance for the development of these areas.</li> <li>• <b>At the country level:</b> the Albanian Government, the House of the Parliament, NGOs, etc. should be more aware for their needs because for the time being awareness is very low. Specifically the Government should build a special economic platform to increase the employment rate, give more loans for new small businesses for restrain the migration from these areas and using more their potentials.</li> <li>• <b>At the local level:</b> Increasing the public participation of the local stakeholders is one of the priority issues as well as the increase of women participation in the public life and the decision making process. Measures to increase the access to local government information and activities as well as enhancing the capacities of civil society organizations to offer inputs and monitor the activities of local government to generate more output.</li> </ul>
<b>Responsible institutions</b>	Albanian Government, MADA, International institutions, NGOs.

Source: Belsanti, V & Al., 2006, Sustainable Agriculture and Rural Development in Mountain Regions Project (SARD-M), CIHEAM – IAM Bari

## Annex 2: Mountain Areas Development Vision

<b>Medium to long-term Vision</b>			
<ul style="list-style-type: none"> <li>▪ Chronic poverty has been eradicated and a vibrant business environment has been established, based on competitive SMEs exploiting local resources, so to reverse migration flows and attract private investment from outside;</li> <li>▪ Good governance practices have been developed – based on social cohesion, participation and sustainability – with particular attention to human and natural resources;</li> <li>▪ The valuable environment has been preserved, improved and new infrastructure – including international roads – has been constructed with due regard to the environment.</li> </ul>			
<b>Scope of the Vision</b>			
<p>is to help Albanian citizens living in the mountain areas (MA )to <b>enjoy access to development opportunities which are equal to those of citizens living elsewhere</b>, enabling them to build their future according to available natural, human and cultural resources.</p>			
<b>Foundation process</b>	<b>Pillar 1</b>	<b>Pillar 2</b>	<b>Pillar 3</b>
<p>Strengthening the <b>advocacy and participation</b> of key stakeholders in the MA</p>	<p>Building the capacity of <b>local government and local communities</b></p>	<p>Promoting an enabling institutional and financial framework for <b>private sector</b> development</p>	<p>Ensuring adequate allocations of Public Investment Programme (PIP) funds for and the proper implementation of social infrastructure, environment conservation and economic <b>infrastructure</b></p>
<b>Priorities for action</b>	<b>Priorities for action</b>	<b>Priorities for action</b>	<b>Priorities for action</b>
<ol style="list-style-type: none"> <li>1. Building <b>local development associations</b> to enhance the access of local stakeholders to existing development resources</li> <li>2. Establishing a <b>national forum and regional coordination</b> to ensure MA advocacy in relation to regional and national policies and resource allocation</li> </ol>	<ol style="list-style-type: none"> <li>1. Building the capacity of communes, municipalities and communities to prepare <b>participatory plans</b> and projects for local development</li> <li>2. Establishing specific technical support services to strengthen their <b>institutions and management</b></li> <li>3. Promoting <b>development funds to complement local public investment</b> with the establishment of transparent priorities and competitive application rules</li> </ol>	<ol style="list-style-type: none"> <li>1. Strengthening and building <b>business and producers associations</b></li> <li>2. Strengthening and multiplying opportunities for and the capacity of specialised <b>business advisory services</b>, especially in ecologically and socially sustainable businesses</li> <li>3. Strengthening existing <b>financial services</b>, through the development of specialised development banks, branches and products</li> <li>4. Promoting <b>development funds to support private investment with the</b> establishment of transparent priorities and competitive application rules</li> </ol>	<ol style="list-style-type: none"> <li>1. Building adequate <b>planning and monitoring capacity at Qark level</b> and links between Qarks, local government and the business community, to identify and monitor PIP funded projects in the MA</li> <li>2. Ensuring that PIP funded projects for the MA are <b>coherent with the Vision</b></li> <li>3. Ensuring that <b>the share of the MA in the PIP</b> is adequate to the social and economic challenges set out in the Vision</li> </ol>

Source: MADA

**Annex 3: Entry point – problems and policies**

<b>Problems in the value chain</b>	<b>Policy in general</b>	<b>Policy for mountainous areas</b>
<b>Orchard</b>		
Fruit tree sapling availability and quality	Sapling quality service	Benefit from the general policy. No specific policy
Underdeveloped fruit processing industry	Policy designed to support fruit and grape processing. Implementation subject to fund allocation next year	Benefit from the general policy. No specific policy
Marketing of local produce, including brand and indication of origin development	No active policy	No active policy
<b>Livestock</b>		
Low quality of breeding	Policy to improve animal breeding	Benefit from the general policy
Pasture and pasture infrastructure (water points) degradation	Plans to transfer forests and pasture management to communes, but implementation very slow	Directly affects the mountainous areas
Difficulties in disease control and vaccination	Reforms to improve legislation and food safety in the framework of EU integration	MADA extension service policy
Underdeveloped milk and meat processing industry	Policy being designed to support processing industry	Benefit from the general policy. No specific policy
Meat and milk safety	Reforms to improve food safety in the framework of EU integration, and build certified slaughterhouse	Benefit from the general policy. No specific policy
Lack of appropriate transport facilities	No policy	
Limited access to finance	Market oriented policy; 2 KR Project	
Lack of wholesale points	Marketing programme in the SSAF	
Lack of formal contractual agreements between processor and traders	No active policy	Benefit from neutral policy included in the SSAF and other strategic documents
Limited knowledge of new dairy products	No active policy	Specific intervention by MADA
Lack of branding for the dairy products of the region	No active policy	

Source: stakeholders' interviews and MADA, 2004, Small stock/Dairy Strategic Investment Programme (Permet)

#### Annex 4: Value chain problems and activities in small stock for Permet district

##### A. Problems

Production	Processing	Market
Constraints	Constraints	Constraints
<ul style="list-style-type: none"> <li>• Limited pasture/grazing resources, especially during the winter season.</li> <li>• Limited water points in summer pastures.</li> <li>• Low quality of breeding.</li> <li>• Inappropriate quality of containers for transporting the milk.</li> <li>• Difficulties in disease control and vaccination.</li> <li>• Limited storage facilities for milk prior to delivery to the processor.</li> <li>• Lack of finance to invest in improving pasture and breeding.</li> </ul>	<ul style="list-style-type: none"> <li>• Obsolete processing technologies.</li> <li>• Lack of storage and packaging facilities.</li> <li>• Limited hygienic conditions in processing units.</li> <li>• Limited knowledge of new dairy products.</li> <li>• Limited finance to invest in improvement of technology.</li> <li>• Large amounts of cash required during the season for the collection of the milk.</li> <li>• Lack of appropriate transport facilities.</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of formal contractual agreements between processor and traders</li> <li>• Lack of branding for the dairy products of the region.</li> <li>• Lack of wholesale points.</li> </ul>

##### B. Activities

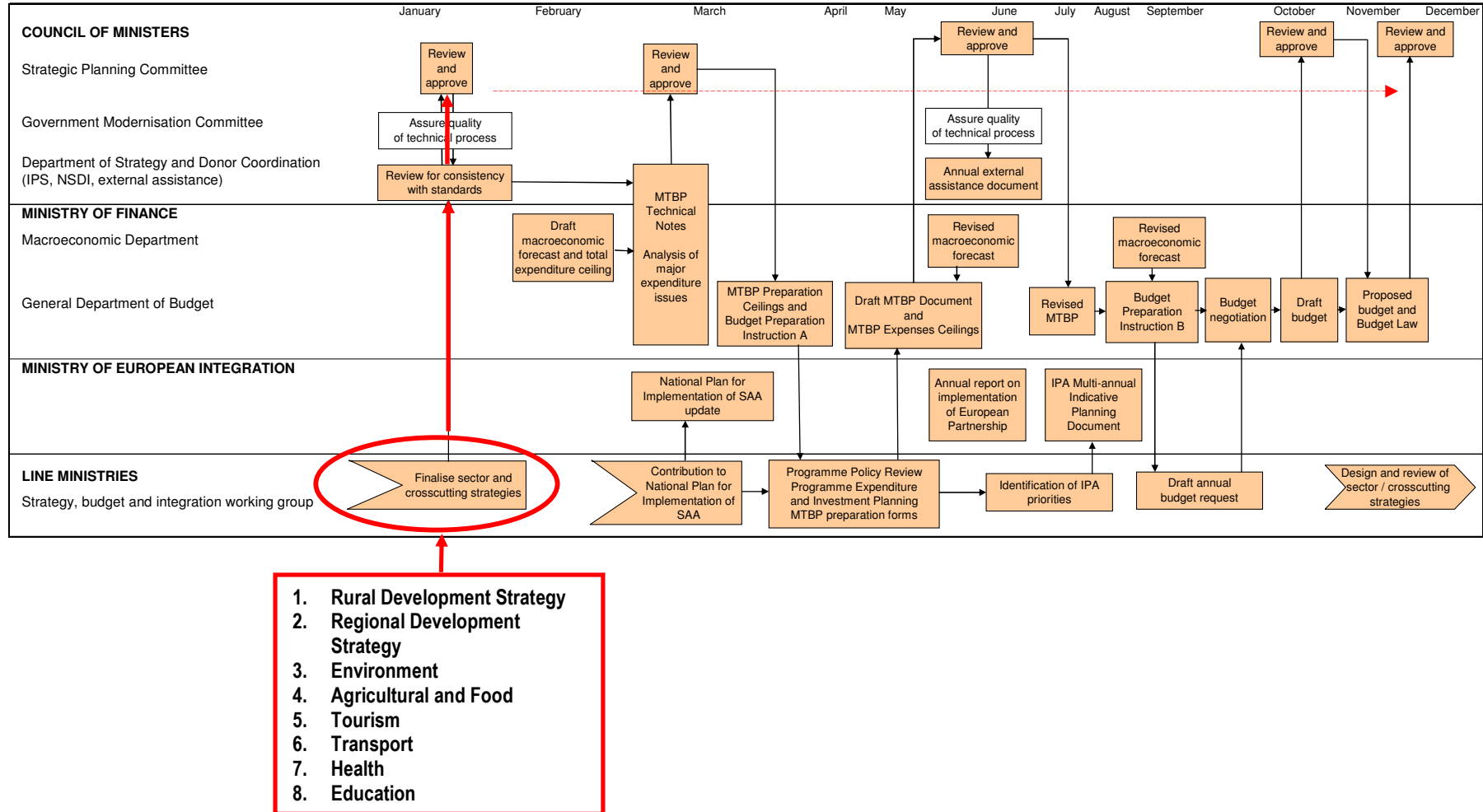
Production	Processing	Market
Activities	Activities	Activities
<ul style="list-style-type: none"> <li>• Pasture and grazing improvement, including demonstration plots and pasture/grazing management.</li> <li>• Milk storage and transport facilities (cooling tanks and small containers for transport)</li> <li>• Training for farmers in pasture and livestock management</li> <li>• Disease control and veterinary services</li> <li>• Breeding improvement.</li> <li>• Study tours for farmers</li> <li>• Provision of financing for farmers for expansion of herds</li> <li>• Provision of financing for collection and bulking tanks</li> </ul>	<ul style="list-style-type: none"> <li>• Pasteurization equipment.</li> <li>• Packing and labelling equipment</li> <li>• Training and technical assistance for processors in new technology and introduction of new products</li> <li>• Study tours for selected processors</li> <li>• Provision of finance for new buildings and equipment</li> </ul>	<ul style="list-style-type: none"> <li>• Workshops for supply chain partners and traders to identify and address market constraints and opportunities</li> <li>• Institutional strengthening of the cluster and establishment of formal contractual agreements between supply chain partners</li> <li>• Support for Trade Fairs in towns and communes</li> <li>• Annual cheese makers competition</li> <li>• Development of Permet brand through communication and advertising programmes</li> </ul>

**Annex 5: Agricultural structure in the four Zones and their respective districts (year 2000)**

Structure	Total	Lowlands	Intermediate	Southern Highlands	Northern & Central Mountains
<b>Land Structure</b>					
Total Land Area (ha)	2,874,800	328,969	895,560	659,458	990,813
%Forest + Pasture Land	51	19	43	56	66
%Agricultural Land	24	61	26	21	13
<b>Cropping Structure</b>					
Total Agr. Land	629,293	201,989	229,221	136,734	131,349
% Tree Crops	17	13	25	13	15
% Cereals	26	29	23	26	24
% Forages	24	28	25	19	19
% Other Crops	11	16	10	9	7
% Not Cropped	23	14	16	34	36
<b>Agricultural Holdings</b>					
Total Number	466,670	120,197	123,542	62,237	122,306
Total Holdings Area (ha)	457,581	159,886	117,941	68,441	61,900
Area per Holding (ha)	0.98	1.33	0.95	1.10	0.51
<b>Crop Input Use</b>					
%Irrigated Agr. Land	45	68	44	27	31
Fertilizer Use (kg/ha)	185	275	158	80	111
Tractor Avail.(ha/trac)	97	74	125	127	133
<b>Crop Production</b>					
Wheat Yield (t/ha)	3.1	3.4	3.3	2.5	2.4
Maize Yield (t/ha)	3.6	3.9	4.5	2.3	3.3
Cereal Prod.(kg/holding)	1,212	1,705	1,260	1,324	748
Forage Yield (t/ha)	28	33	24	18	19
Forage Prod. (t/holding)	9.6	17.4	10.4	7.5	3.7
Grapes (t/ha)	7.1	10.6	8.3	4.5	6.1
Fruit (kg/tree)	15.5	18.8	14.6	12.4	13.8
<b>Livestock Numbers + Outputs</b>					
Cattle (no. /holding)	1.6	1.7	1.9	1.5	1.6
Milk Yield (kg/holding)	1,609	2,130	1,862	1,538	1,113
Sheep + Goats (no. / holding)	6.5	2.3	8.7	12.8	7.3
Milk Prod. (kg/holding) <sup>[1]</sup>	2,301	2,536	2,368	2,029	1,328
Meat Prod. (kg/holding) <sup>[2]</sup>	241	237	259	223	216

Source: Agriculture Statistics Yearbook, 2000

**Annex 6: Integrated Planning system in Albania**



### Annex 7: Major land uses with their sub-categories

Land use	Area (in ha)	As percentage of the total
<b>Arable land</b>	<b>699,293</b>	<b>24</b>
Crops	578,374	83
Orchards, vineyards & olive groves	120,954	17
		100
<b>Forests</b>	<b>1,026,410</b>	<b>36</b>
High	373,142	27
Coppice	266,606	31
Shrub lands	221,217	26
Protective	165,445	16
		100
<b>Pastures and meadows</b>	<b>445,345</b>	<b>15</b>
Meadows	4,390	1
Uncultivated pastures	403,691	91
Cultivated pastures	37,254	8
		100
<b>Other areas</b>	<b>703,752</b>	<b>25</b>
<b>Total</b>	<b>2,874,800</b>	<b>100</b>

Source: Agricultural Statistics Yearbook (2000) and ANFI (2001)

### Annex 8: Rural land holding in 2004

Category of ownership/control	Hectares	Parcels	Registered
Agricultural (cultivated and perennial)	700,250		
-- family members of cooperatives	562,470	1.9 million	80%
-- family employees of state farms			
-- refused land (communal control)	110,000		
-- state owned	26,780		80%
Forests	1,050,360		
-- State	760,200		05%
-- Commune	283,840		
-- Private	6,314		10%
Pastures	481,400		
-- State	160,000		05%
--Commune	244,200		
--Private	23,600		15%
Village housing	400,000		70%

Source: World Bank, 2006, Status of Land Reform and Real Property Markets in Albania

**Annex 9: Status of the progress of the decentralization reform<sup>55</sup>**End of 2002<sup>56</sup>

Law/ Article	Provisions of the Law 8652	Initial Deadline	Implementation Status as of end 2002		Notes
			Legal	Practical	
<b>Legal framework Supporting Initiation of Decentralization Reform</b>					
	<b>Decentralization Framework Support</b>	End of 2000	Completed	Ongoing	European Charter of Self-Governance rectified by Albanian Parliament; Undersigning CD No. 203/98 Constitution of Republic of Albania approved, 1998 Decentralization Strategy, CD No. 651/99 Law No. 8652//2000 Law No. 8652//2000 Organic Law for Municipality of Tirana, Law No. 8744//2000
<b>Implementation of Local Government Organic Law Provisions</b>					
72/2	<b>LG shall undertake ownership</b>	First half of 2003	Legal framework completed.  Law 8743 Law 8744 VKM 500 AITPP Instructions 1,2,3	Not implemented Process delayed  Transfer of administrative premises completed.  Inventory of public properties in ongoing process.	Process is delayed.  Responsible institution to lead and conduct the process is established. Inventory of 4 pilot LG units approved by CoM; a set of 3 other pilot LG units is prepared; a program for 2003, including approval of inventory of some 50 LG units is detailed.  Transfer of properties to LG is delayed, not yet a single case is recorded; transfer of properties to first group of 4 pilot LG units is scheduled for second quarter of 2003.
72/3	<b>LG take ownership of public enterprises</b>		Not fully completed  Other laws that impact the decentralization of water sector Law 8783/01 Law 8885/02 Law 8975/01 VKM 668/02 VKM 550/02	Not fully implemented  VKM 550, date 7/11/2002, approves the policy paper on water issues, and measures for its implementation	Related to property transfer process. So far LG have taken right of administration over, (as expressed in general terms), communal service enterprises. Policy Paper defines transfer of right of ownership over water enterprises/companies and makes available management alternatives for LG units. Amendments and changes in several laws already identified are required, along with property transfer to LG, in order for them to be able to exercise full rights of ownership and management authority over public services enterprises. Although several legal acts have been issued, none of them assures a full discretion of LG units on the management of public service enterprises/companies. Still the authority remains with the Council of Ministers.

<sup>55</sup> Vokopola, E., 2003, Status of the progress of the decentralization reform.<sup>56</sup> There has been limited progress in implementing decentralization reform also due to political elections in July 2005.

Law/ Article	Provisions of the Law 8652	Initial Deadline	Implementation Status as of end 2002		Notes
			Legal	Practical	
<b>Legal framework Supporting Initiation of Decentralization Reform</b>					
<b>72/4/II Exclusive functions on social cultural and recreational</b>					
c)	<b>Social services</b>	January 2001	Not Completed	Not implemented	LG units exercise full authority over nursery service; funding included in the general grant. Ownership not yet transferred. Although scheduled for 2002, other social institutions have not yet been transferred to LG control; they remain with national line ministry and related agencies. Distribution of social assistance cash benefit delegated to LG units. Delegation involves transfer of a conditional fund based on criteria set forth by the line ministry. The sector remains unreformed and unable to clearly divide responsibilities between local and central government. System reforming is under ongoing process, development of a policy paper is scheduled for 2003 under GSD activity.
<b>72/4/III Exclusive functions on local economic development</b>					
a)	<b>Local economic development programs</b>	Jan. 2001	Implemented	Implemented	LG have full discretion to prepare and implement local economic development plans.
b)	<b>Regulation of public markets</b>	Jan. 2001	Implemented	Implemented	LG have full discretion to prepare and implement local economic development plans.
c)	<b>Small business development</b>	Jan. 2001	Implemented	Implemented	LG have full discretion to prepare and implement local plans to encourage small business.
ç)	<b>Support for local economic development</b>	Jan. 2001	Implemented	Implemented	LG have full discretion to prepare and implement local economic development plans.
d)	<b>Veterinary service</b>	Jan. 2001	Implemented	Implemented	LG have full discretion to prepare and implement local plans and provide veterinary service of not-productive character. To facilitate full implementation central government responsible agencies should issue technical standards.
dh)	<b>Forest, pastures and other natural resources</b>	Jan 2001	Completed Law 8744 acknowledges LG right of ownership over local forests and pastures	Not fully implemented	Implementation is related to the inventory and transfer of public properties to LG units; such transfer presumes allocation of necessary funds in the unconditional transfer.
<b>72/5/I Exclusive functions on other infrastructure and public services</b>					
a)	<b>Water</b>	Jan. 2002	Not completed VKM 550, date 7/11/2002	Not implemented	Transfer of water assets/shares not implemented. (See 72/3 above). Although some communes are exercising full administrative authority, finance issues are not yet resolved; the state budget subsidizes only those registered as water enterprises/companies.
b)	<b>Sewer and storm waters</b>	Jan. 2002	Not completed VKM 550, date 7/11/2002	Not implemented	Some of Municipalities and communes have already undertaken administrative responsibility over this service without any particular financial support. For full transfer see 72/3 above).

Law/ Article	Provisions of the Law 8652	Initial Deadline	Implementation Status as of end 2002		Notes
			Legal	Practical	
<b>Legal framework Supporting Initiation of Decentralization Reform</b>					
<b>72/5/I Exclusive functions on other infrastructure and public services</b>					
c)	<b>Urban planning</b>	Jan. 2001	Not completed Law 8991, date 23/01/2003	Not fully implemented	An amendment to the existing legislation was formulated during 2002 and passed by the Parliament on January 23, 2003; it is considered as a temporarily solution until a new package of laws is developed. The amendment transfers most of the former district responsibilities to the Regional Council; it acknowledges the right of LG units to issue construction permits. This amendment does not address necessary changes to allow for full discretion of LG in the sector. Housing not considered.
	<b>Land management</b>	Jan. 2002	Not completed Law 8752/01 VKM 532/02	MoLG &D has issued an instruction for delegation of construction permit authority  Not fully implemented on both rural and urban areas	Communes and small size municipalities have been instructed to temporarily transfer the authority for issuance of construction permits to the Regional Council administration. This prerequisite is sanctioned within the new amendment of the existing law which acknowledges the right of LG units to issues construction permits.  New law and a CD delegates to LG the authority for administration of agriculture land and management of cadastre information. However, we do not have yet a full transfer of land management as an exclusive function of LG; it does not allow LG to have full decision-making authority on land management and development, in the meaning it has at the Law 8652. Decision-making authority for land management remains with Ministry of Agriculture. Prerequisites set forth at the existing Urban Planning Law limit decision-making authority of LG units. Development of a new package of laws to consider, urban planning, land management (including construction police role and function) is expected for development during 2003).
<b>72/6/II Shared functions</b>					
a)	<b>Pre-school, pre-university</b>	Jan. 2002	Not completed	Not implemented	In addition, to conditional funds under the 2003 budget, LG units are granted with partial administrative authority to ensure proper maintenance and operation of school facilities and primary health care facilities. A Policy Paper on pre-university education is prepared and approved principally from IMC, and a pilot activity for transfer of investments related to pre-university education for the City of Tirana is ongoing. The same Policy Paper is expected to be developed during 2003 in health and social service.
b)	<b>Public health</b>	Jan. 2002	Not completed	Not implemented	
c)	<b>SA and poverty</b>	Jan. 2002	Not completed	Not implemented	See 72/4/III/c above.
d)	<b>Environ. protection</b>	Jan 2002	Not completed	Not implemented	

Law/ Article	Provisions of the Law 8652	Initial Deadline	Implementation Status as of end 2002		Notes
			Legal	Practical	
<b>Legal framework Supporting Initiation of Decentralization Reform</b>					
<b>72/7 Other shared functions</b>					
7	<b>Other shared functions</b>	Jan. 2002	Not completed	Not implemented	
8	<b>Role and functions of regional Council</b>	Jan. 2001	Completed	Not implemented	Efforts were made during 2002 to develop a policy paper on the role and functions of the regional Council. Although a sub group of the GED was specifically assigned with the responsibility for developing the policy paper, it is still not yet formulated. Activities to develop a process which will result in a policy document on the role and functions of the region is rescheduled for 2003.
<b>73. Fiscal Authority of Communes and Municipalities</b>					
1	<b>Local taxes and tariffs</b>	Jan. 2001	Completed Law on local taxes Law on SBT	Implemented Bylaws and Instructions issued to allow for implementation	A fiscal decentralization package including transferring SBT and simplified profit tax, vehicle registration tax, property transaction tax, and reintroduction of ALT increases LG autonomy to determine own local revenues and allocation based on local priority needs.
2	<b>Local Fees</b>				
	<b>a) Public services b) Public goods c) Licenses, official documents</b>		Law on Local Taxes	All but water and sewer	Water is pending on the implementation of the provisions of the Policy paper approved by the VKM 550, and other necessary amendment of the existing legislation in the sector.
			Completed	Implemented	Law on local taxes and fees makes it fully implementable.
				Implemented	
3	<b>Revenues from property use</b>	Jan. 2001	Completed	Not implemented	Implementation relates to the transfer of public properties to LG, not yet completed.
4.	<b>Borrow funds</b>	Jan. 2002	Not completed	Not implemented	Plans for consideration, included in the Ministry three-year matrix for decentralization.
5.	<b>Financing from national resource</b>	Jan. 2002	Not completed	Partial implementation	Partial implementation.
a)	<b>Unconditional transfer</b>	Jan. 2002	Partially completed	Partially implemented	
b)	<b>Shared National taxes</b>	Jan. 2002	Not completed	Not implemented	Planned to be considered during 2003 decentralization action plan, which is not yet officially approved.
c)	<b>Conditional transfer</b>	Jan. 2002	Not completed	Not implemented	Planned to be considered during 2003 with development of policies and legislation on those defined as shared functions.
6	<b>Local budget autonomy</b>	Jan 2001	Not fully completed	Not fully implemented	Lack of a stabilized formula for allocation of local budget, and lack of a mechanism to determine LG total pool make the system still fragile.
8	<b>Local quota to fund region council</b>	Jan 2001	Completed	Implemented	