

INTER-SECTORAL RURAL DEVELOPMENT STRATEGY OF ALBANIA, ISRDSA 2007-2013



Prepared by the Ministry of Agriculture, Food and
Consumer Protection (MAFCP)

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INTRODUCTON

The Inter-sectoral Rural Development Strategy of Albania (ISRDSA) constitutes a national strategy plan for rural development of Albania. It lays down the priorities of the rural development policy. The priorities have been set up in accordance with the European Community priorities on rural development policy. The NSP shall apply for the period 2007-2013 and shall be, if not defined otherwise by the priorities, implemented throughout the territory of the Republic of Albania. The document is designed in compliance with the baselines set out in Article 11 of the Council Regulation (EC) No.1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD). National priorities and activities have been designated in a manner and a form enhancing the synergies with other public financing instruments on agricultural policy and, especially, on economic and social cohesion as well as environment and space. The NSP is prepared in compliance with the Community strategic guidelines and the broader Community strategic guidelines for sustainable use of resources (Council decision of Götteborg) and the enhancement of economic growth and job creation (Lisbon Strategy).

The National Strategy plan aims at strengthening the multifunctional role of agriculture in Albania. Particularly emphasized are the needs for restructuring the agriculture and food industry as well as the need to enhance competitiveness of the entire agricultural sector and agro-food chain. The NSP is founded on the principles for sustainable management of renewable natural resources and pays special attention to the maintenance of cultural landscape and environmental protection, as well as the maintenance of the settlement and rural identity in the countryside. It also reflects the multifunctional role of forests, which give Albanian landscape a unique mark and represent an important element of environmental consistency and a source for biodiversity. The NSP priorities shall also contribute towards economic and social enhancement of the countryside and will introduce new approaches for increasing employment opportunities in rural areas. The National Strategy Plan represents a reference framework for designing the rural development programme for the whole of Albania for the period 2007-2013.

The preliminary preparations of the NSP took place in cooperation with competent administrative authorities at the national, regional and local level, economic and social partners, as well as other interested representatives of the civil society including non-governmental organizations. The present NSP draft is subject to a wide public discussion and debate with and among partners mentioned above.

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EXECUTIVE SUMMARY

Albania is a small country with a population of 3.1 millions inhabitants. It is mountainous and only 24% of the land is classified as agriculture land, 36 % as forests and 15 % are pastures. Agriculture is still the biggest contributing sector for income generation for the largest part of the population, as well as a source of employment. Rural population makes 54% of total population, and 71 % of the working force is employed in agriculture or agriculture related activities.

A successful rural strategy requires a sustainable macroeconomic development framework, characterized by strong economic growth, low inflation rates, stable local currency, sustainable levels of low fiscal deficit, and a consolidated foreign stability. This provides the preconditions for growth of rural products and services and for market development.

In spite of all this, there is still continuing poverty in Albania, especially in rural zones. According to the latest Living Standards Measurement Survey¹ (LSMS), 18.5% of all Albanians are poor. This figure is even higher in rural areas, where 24.2% of the population is poor. There is considerable regional variation in poverty levels, with the poverty headcount in mountain areas being 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. Poverty is higher in families with plenty of children and low school education, many of which live in rural areas. As a result, Albania has experienced rapid rural-urban migration, which has led to social disruption and greater vulnerability, in particular amongst fractured? urban families and ageing rural populations.

The rural sector is not enough efficient: Under the communist regime it was dominated by big state farms and collective cooperatives, whereas due to later reforms it is now characterized by a multitude of small family farms, with an average size of 1.1 ha, and usually very fragmented. Farm production increased after new owners of the farms started to work intensively on their farms. The success in improving yields in recent years suggests that public support for farm modernisation has produced and will continue to produce useful results. However, markets and food quality standards are still not developed in Albania and increased production needs to be supported by improved marketing, in order to be sustainable. Therefore, support for farm modernisation and market development will be of great importance.

The natural environment in rural Albania is still largely unspoilt and it is an important national. The natural environment is also a potential source of incomes for rural areas, both through the quality it can provide for food products and through its attractiveness for tourism and recreation.

Rural Albania is more dependent on agriculture than does population in most European nations and has poorly developed manufacturing and services. The modernisation of farming will lead to the reduction of employment opportunities in the farming sector and one of the key elements of rural development is therefore to diversify economic activities in rural areas.

¹ Year 2005

Rural infrastructure is not well developed: roads are in a poor condition; water supplies are often interrupted and very few villages have organised sanitation systems. Improving rural infrastructure is an important priority for the rural economy and for improving the quality of life and reducing rural-urban migration.

The key issues above are shared with many European countries and the Albanian rural development strategy builds on EU experience in regard to rural development. The main pillars of rural development for Albania are i) sustainable increase of farm income; ii) sustainable management of natural resources including forestry, pastures and water; and iii) creation of new job opportunities and better quality of life through diversification and improved rural infrastructure. These three pillars are equivalent to the three main axes formulated in the EU Rural Development Regulation and in EU support schemes for accession and pre-accession countries. These priorities will contribute to the reduction of poverty. The Albanian strategy also follows EU practice in identifying a fourth axis, that of locally based community development planning, with a reserved budget and integrated into the design of activities in the other axes. Within each pillar, a number of measures are defined.

Albania already dedicates yearly about 7 billion leks to rural development out of a total public investment of about 40 billion leks. Current expenditure is dominated by farm and infrastructure investment.

The table below summarises the measures of the rural development strategy, along with the current and planned expenditure distribution at the end of the strategy. The switch from current spending to the end-period spending will be phased out through the strategy.

Table 1: Albania Rural Development Strategy: axes, measures and prioritisation

	Existing 2006	Planned 2013	
Axis 1	m Lek	m Lek	% of total
Farm Modernisation	2,633	4,675	27.5%
Value Added / Marketing	210	2,550	15.0%
Forests	369	850	5.0%
Training / Advisory Services	0	425	2.5%
<i>Total</i>	<i>3,213</i>	<i>8,500</i>	<i>50.0%</i>
Axis 2			
Less Favoured Areas	1,558	170	1.0%
Agro-environment & Natura 2000		1,530	9.0%
<i>Total</i>	<i>1,558</i>	<i>1,700</i>	<i>10.0%</i>
Axis 3			
Non-farm Employment	0	1,190	7.0%
Quality of Rural Life / Infrastructure	2,583	4,760	28.0%
<i>Total</i>	<i>2,583</i>	<i>5,950</i>	<i>35.0%</i>
Axis 4			
Participatory Development	0	850	5.0%
Grand Total	7,355	17,000	100.0%

In addition to the programme identified above, the rural development strategy also includes education, health, economic development and rural infrastructure

development not covered by local sources. The rural coverage of these activities will be monitored using a system of *'rural proofing'*, similar to that developed in EU member states. Each of the key ministries involved (notably Education, Health, Economy and Transport) is required to submit a regular annual *'rural proofing'* report which presents their programmes in rural areas, compared with urban programmes, including evidence about expenditure per capita.

Based on the NSP, an Operational Programme of Rural Development for the whole territory of Albania will be prepared. The implementation of the rural development policy will be in the mid-term period carried out by the **Rural Payment Agency** of Albania which will be organised as an independent institution under the umbrella of the MAFCP with the support of different Government agencies at different levels.

I. SOCIO – ECONOMIC AND ENVIRONMENTAL SITUATION AND THE POTENTIALS FOR DEVELOPEMENT

1.1 Background

Albania is a country of about 28,000 km² and a population of 3, 1 millions of people. The population is concentrated on the coastal plane, which covers 25 % of the territory. Over 60 % of the country is mountainous. There have been important population movements in the last ten years, including a strong rural-urban migration, notably into Tirana. The rural population declined as a result from 65% to 55%.

Poverty in Albania is high, but it has been declining and now affects 18.5% of all Albanians, with half of those living in extreme poverty. One out of three families has problems related to immediate infrastructure improvement. Infant mortality and mortality rates of under-five children are relatively high as compared to other countries in the region, and almost one in seven children under age five is undernourished. Illiteracy has increased; and three quarters of poor families experience acute social problems of one kind or another. The probability of living in poverty increases with the size of the family and is closely linked with unemployment.

People living in rural areas are significantly poorer than those in urban areas. This poverty has many dimensions such as: (i) low or very low income levels of the poor; (ii) higher incidence of health risks and lack of appropriate medical services; (iii) illiteracy or low educational levels; and (iv) limited access to government decision making process. Poverty levels are relatively higher in groups for which farming is the main income source. This is supported by the fact that about 50 percent of the poor are farmers.

Urbanization has demonstrated its potential for poverty reduction. Urban poverty has declined faster than rural poverty, with the urban poverty headcount falling from 19.5 to 11.2 percent, between 2002 and 2005, while the rural headcount fell from 29.6 to 24.2 percent. There is also evidence of regional convergence in the distribution of poverty. A particularly dramatic improvement has happened in the mountain regions, which had by far the highest poverty rates in the country in 2002, coming down close to the national rural average in 2005. This is caused largely by the high levels of remittances in mountain areas, both from urban regions and from outside Albania. Despite the importance of remittances, there is also evidence of increased poverty within Tirana, in the zones with the highest incidence of new residents. Access to infrastructure and basic services is also more limited in these areas as compared to the city in general.

The rural-urban migration reflects a profound structural transformation of the Albanian economy away from agriculture and traditional industry, and towards higher productivity sectors, including trade and services, tourism and construction. Agriculture has traditionally played an important role in the economy, accounting for 24 percent of GDP and 58 percent of employment in 2004. The challenges for this sector will be to

modernise agricultural production, to continue to diversify into agro-processing, raising the quality sufficiently to compete in European markets, and to develop higher-value products for which the domestic demand will grow with incomes going up.

Despite the challenges in rural areas, there is still good potential to improve the situation, based on a favourable natural environment and geographical position, comparatively low wages, a relatively well-educated population, many young people included, good traditional farming skills and strong local culture.

1.2 Agriculture, forestry and food-processing industry

Agricultural land accounts for 24% of the total land, with forests accounting for 36%, pastures and meadows 15% and others 25%. Out of the total agricultural land, 43% is lowland, 34% hilly and 23% mountains. Agriculture is dominated by small farms (less than 1.2 ha), fragmented in 3 to 4 plots. This fragmentation is an important obstacle to an efficient and sustainable development of Albanian agriculture.

Agriculture accounts for about 23% of gross domestic value added and has been growing at about 3% per year, in real terms. However, given that growth of non-agriculture sectors has been significant, agriculture's share of GDP has declined. In rural areas, agriculture accounts for 71% of the employment, although most of farmers are underemployed. According to official data, livestock accounts for 45% of total agriculture value added, crops 44%, and fruit-culture 11%. Over the past five years, fruits have shown the highest growth rate (at nearly 7% per year), with vineyards growing particularly strongly. Fruits and grape have high potential for further growth. Livestock has been growing at about 3%. More than 60% of the population are somehow involved in herding and rearing livestock, mostly very small scale and livestock plays an essential role in the smallholder farming systems, as well as serving an important social security function. Most livestock is kept for milk production, mainly for home consumption. Milk production suffers from problems of low levels of quality standard. Livestock also serve as a means of transport and are used for land preparation. The main crops are fodder and cereals and production has shown little growth over the last five years.

Agriculture in Albania suffers from low competitiveness and local producers are often forced to accept very low incomes, in order to compete with imported products. Official statistics probably reflect the situation in the larger farms and may therefore understate the problems with efficiency. According to these official statistics, cereal yields are between 3 and 3.5 t/ha, which is similar to the yields achieved in other Eastern European countries, and about 65% of the average yields in EU member states. Crop yields have increased steadily and significantly over the last five years, while crop area has declined, suggesting that there is a trend towards concentration of production in more efficient farms. The exception to this trend is with forage crops, where yields have declined but area changed only slightly. In addition, the area planted to orchards and vineyards has increased, at the same time as improvements in orchard yields.

Official statistics for beef production yields about 100 kg deadweight per year, which is close to EU levels and may fail to capture data from the natural grazing regimes in the more isolated areas of the country. Although these traditional grazing regimes are more extensive than is typical in European agriculture, they may also provide an important source of high quality product that has good market potential, if properly marketed. Also, it is unlikely that any other productive use of the higher land will be found.

Only 73% of the families involved to agriculture activities carry out the main land operations by machines, 24% of the farmers use animals to plant the soil, 63 % of farmers use machines to prepare the land, but also do include some manual work. Manual land preparation is particularly frequent in the mountains areas in farms with a small area of 0.1 to -1.02 ha, where 75% of farmers do some manual work on land preparation. Manual land preparation is not the tradition in mountain or other areas. The use of manual land preparation practices is not caused by lack of machinery, as there is one tractor per 50 ha in Albania. Rather, manual land preparation occurs because of the low income generated on small farm plots, being not sufficient to afford the high prices charged for mechanised land preparation.

About 70% of the farmers purchase inputs such as seeds, chemical fertilizers and pesticides. A higher proportion of lowland farmers use purchased inputs. The highest expenditure per farm is for chemical fertilizers, which accounts for around 40% of spending on inputs. Around 40-45% of the farmers purchase livestock feed. Most livestock feed is bought by highland farmers for winter food, although it is also used for other purposes.

As a result of the limited efficiency of Albanian agriculture, the output and income generated from agriculture is low, as compared to EU standards. According to the national accounts, the value added of agricultural and rural development is about Lek 155 bn. With about 756,000 people employed in agriculture, the value added per worker is about Lek 200,000, or € 1,700. This is far away from € 26,000 of the EU-15 and € 6,500 of the new Accession Countries. Incomes per farm from livestock are 2,7 times more than incomes from crop production.

The farming population is still relatively young, with 53% under 55 and a further 24% under 65 years old. The main farm worker is male for 95% of farms.

Albania has a large trade deficit in agricultural products, with exports amounting to less than 15% of imports. The position has worsened in recent years, with falling exports of some agricultural products and generally rising imports. This is caused partly by lack of competitiveness, reflected in the high production costs of farm produce in Albania. The weak trading position reflects a number of other specific problems, including: lack of organization of export traders; underdeveloped market chains; and some weaknesses related with quality control. Over the last years Albania finalized a number of unilateral and multilateral trade agreements (WTO agreement, Free Trade Agreements (FTA) in the region and with the EU) which are supposed to encourage agricultural imports, but also offer possibilities for exports, especially for special products, such as medicinal plants, vegetables, fish and live animals. A common public misconception that imported agricultural goods are of higher quality means that they can often might have higher prices than local products.

Food processing accounts for about 40% of agro-industry and is composed of: small private enterprises; privatised former state enterprises (mainly involved in bread, flour, milk, and drinks); and private initiatives with new investments. Before 90's, food industry collected and processed around 50-80% of all agriculture production, commercialising all produce from the state farms and employing about 47,000 workers. There are now 2060 food enterprises (of which 46% are for bread-making and flour making) employing about 9900 people. Food processing is growing rapidly, at about 10% per year in terms of production?, and is now equivalent to over 20% of agricultural value added. Milk and meat processing are showing particularly strong growth. Some modern food processing (eg frozen vegetables) is undertaken based on imported raw materials. Exports of processed food products amount to about 10% of the value of imports of processed food products.

Investments in agribusiness have trebled? over the past five years to about 2, 9 billion leks. The increase has occurred both in production technology and buildings and a large part of the increase has been funded by a dramatic growth in banks credit, which now accounts for about half total of investment in agro-industry. However, despite these improvements, food enterprises are still very small and many do not reach EU food safety standards. As a result, they have no chance of exporting to EU markets. In order to address these issues, the rural development programme will provide support to the agro-industry as well.

The major roles of the Ministry of Agriculture, Food and Consumer Protection are to establish a policy and legal framework and develop associated regulations to allow agriculture and agri-business to operate efficiently and successfully in Albania and to ensure the provision of services for smallholder farmers, including extension, research, livestock disease control, and plant protection.

The Ministry aims at improving the efficiency of research through (i) a program based primarily on adaptive research, (ii) a reduction in the number of research institutions and improved cooperation among the remaining ones, and (iii) a clear definition of research priorities that reflects development needs for Albania. These changes aim at promoting demand-driven research that provides low cost and effective solutions to farmers' problems. The system will include some competition in delivery, notably in the production of semen, seeds, and vaccines.

The extension service has been greatly strengthened over the past decade and has its services available in all districts. The Ministry intends to strengthen the linkage of the service with the private sector, in order to create advisory centres, which will provide multi-faceted advice on an increasingly self-sufficient basis. In particular, advice to larger-scale commercial farmers and agri-businesses will be left to the private sector and the Ministry will share information with the private sector, to help it develop. The public extension service will focus increasingly on the small and medium-scale farmers, especially those with some market orientation. This approach will involve: improved extension materials; improved advisor capacities; a focus on farmer groups; better extension-research linkages; continued training for small farmers including farm budgeting; and the provision of market information. Competitive grant schemes are currently being piloted in Albania with the objective of promoting farmer participation. New approaches of agricultural extension will be promoted and made

more efficient. Farmers field schools and participatory technology development (PTD) will be encouraged and supported, as effective means to bring about important changes in the levels of knowledge and behaviour of farmers.

The extension services will play an important role in introducing and implementing the new agricultural and rural development policy in Albania. In particular, the extension service will be important when implementing the new legislation, especially in the phase of preparation of Albania for the membership of the European Union. Therefore it is important to support it to become a flexible and efficient service. For this purposes the MAFCP has already started with several activities regarding the reorganisation of this service.

The veterinary service deals with the control and eradication of diseases. Where the diseases pose a public health risk, the Ministry will continue to carry out the services, although they may also contract the private sector for certain activities, if and where appropriate. For diseases that do not pose a public health risk, the Ministry is exploring various techniques for promoting increased role of private sector veterinarians. The private sector may manage breeding services, but the state veterinary service will be responsible for regulation and monitoring.

The Veterinary Service, along with the Plant Protection Service, will be the most important institutions for drafting and implementation of an effective food safety policy. The efficient organization and successful implementation of the EU food safety policy in Albania will help the farmers and food-processing industry to meet the EU food safety requirements, which will promote export opportunities for Albanian farm and food products to all European and world markets.

Numerous private traders and small stores are now providing plant protection inputs, although their use is still low. The Plant Protection Service is responsible for regulatory and control functions, including: plant quarantine; pesticide registration; licensing of salesmen; inspection of sale premises and storage conditions; and diagnosis and monitoring of pest and disease outbreaks. The regulations are acceptable but the Ministry is improving implementation, notably through improved: information to retailers; enforcement of regulations for storage and disposal; testing of imported or locally manufactured products; and analysis of agricultural products and water for pesticides and other residues. This will require training, rationalisation of laboratories and cooperation with extension and research.

The improvement of the government functions in agriculture will complement the decentralisation process across government, which will allow for more effective cooperation with local government across many activities.

For the implementation of agricultural and rural development policy in Albania, a Rural Payment Agency has to be established. This will be a basic pre-condition for the preparation of Albania for the pre-accession support by the European Union and will be essential for long-term implementation of rural development. At the moment there is no institution which can take on this role.

Albania has perhaps moved further than any other country in the region to introduce a sweeping land reform as a necessary precursor to the development of land markets.

As a result of this reform, the rural landscape has been dramatically transformed since 1990 with all collective farms dismantled, and approximately 98 percent of agricultural land distributed to ex-workers, becoming thereafter smallholders. This has transformed crop farming from a collectivized, command structure to a fully private sector with smallholder family farming small and fragmented area for their own consumption and for the market. Pasture land and forests have mostly not been part of the privatization process. Only recently has part of state forest ownership been transferred to communities and private persons. The legislation currently in place provides an adequate legal and regulatory framework to support a functioning land market. A systematic process of first time registration is proceeding and about 55 percent of distributed rural land has been surveyed, mapped, titled, and registered. There are some remaining practical challenges, including the problems related with the restitution and compensatory policy. Much of the remaining work is concentrated in urban and peri-urban areas, which are less significant for agriculture, but might still have good horticultural potential.

Unfortunately, the new landowners emerged following the privatisation and registration process have are very unwilling to sell any part of their land. As a result, there has been very little progress with the consolidation that needs to take place to reshape the fragmented small farms into modern farms. The government is seriously committed to improve the land market, and reduce the costs and delays associated with the consolidation process.

Despite of the sweeping land reform and significant positive changes it brought about, the reform has had several negative results. The main problem today is that the land is too fragmented and the average size of the farm far is too small. This creates some difficulties while introducing the new measures of the agricultural and rural development policy. Those small and fragmented farms are not able to invest or to efficiently modernise the production and reduce the costs in order to become more competitive and flexible in domestic and especially international markets.

Infrastructure is poor in rural areas, and particularly in the more remote mountainous areas. Inhabitants of these areas often mention the lack of key infrastructure (especially roads, water, irrigation and electricity) as the most disadvantaging factor they face and one of the main reasons for migration. The migration towards town increased burdens on urban infrastructure and the balance between investment in urban and rural infrastructure is a critical issue for Albania.

Problems with water supply, sanitation and waste collection and management in rural areas are the most severe infrastructure issues. In particular, only 2.1% of villages have a sewerage system, compared with 70.5% of towns. An organized collection for households' solid wastes serves 80% of Albania's total population, but only 33% of the rural population. The water supply infrastructure serves 98% of total population, but has been neglected for several decades and is in a very poor state of operation. Other problems include: (i) over-consumption due to use of drinking water for agriculture, (ii) lack of control over consumption including under-priced water and low collection rates, (iii) weak water utility institutions, and (iv) lack of a strategy to improve services. Improvements in rural areas will be closely linked with the decentralization process in which the local governments will be responsible for the

operation of the water supply systems. Reforms to water and sanitation improvement and management have been formulated in the Rural Water and Sanitation Strategy.

Rehabilitation of irrigation and draining systems will 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 at local levels. Building on these successes, more attention will be given to the capacity building of the authorities dealing with coordinating and facilitating the operation of the large canals, while maintaining the concept of a user-managed system. In addition, farmers will 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 and improvements are critical to the wider rural development. 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. However, this activity has not reached most remote areas. The government accepts that too little attention has been given in the past to the maintenance of existing roads and will rebalance the transport budget to put more resources into maintenance. Greater participation of communities in rural road works is being explored.

Access to electricity is also important. Ongoing problems of supply and distribution of electricity continue to hinder growth and, 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. Maintenance, expansion, and improvement of the electricity network are not occurring and difficulties are caused by illegal use of electricity, poor collection of electricity bills, and electricity prices being set below the cost of imported electricity. There has been some recent improvement, but interruptions remain frequent and rural areas receive less electricity than urban areas. There has been some recent interest in alternative sources of energy generation in rural areas.

1.3 Rural Environment

Albania enjoys a relatively unspoilt natural environment. Nevertheless, there have been significant problems with erosion, flooding and the silting of reservoirs in the last decade, associated with deforestation and overgrazing pressures. These changes have also led to a loss of habitat and reduction in biodiversity.

Soils have received little fertilizers and animal manure since 1991, resulting in a decline of organic content, nitrogen, and potassium. In addition to deteriorating soil fertility, there has been a decrease in water retention capacity and an increased incidence of weeds and plant diseases. There are also some hotspots of industrial pollution, for example around Elbasan and Shkodra. Soil erosion has increased markedly, with the reduction of vegetation cover from deforestation, overgrazing, construction and the extraction of river gravel. This has a major impact not only on the

productivity of the soil, but also on the accumulation of sediment in water courses, dams and downstream ecosystems in wetland areas and coasts. Flooding is an increasingly pressing problem, especially in the north western part of Albania where watershed management is poor and drainage infrastructure is not improving. The total area at risk of flooding is more than 40,000 hectares.

Forests comprise some 37 percent of the country's land area and constitute an extremely important natural resource base. In recent years, timber extraction has declined and the forests have been degraded by unplanned cutting for domestic fuel, illegal logging and grazing pressures. This has had a major impact on erosion, flooding and sediment load, and has led to a reduction in biodiversity. 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. The government's 2004 Forest Strategy has the following objectives: (i) restoration of degraded, state-owned forest and pasture areas and promotion of their sustainable use; (ii) promotion of conservation of natural forest ecosystems; and (iii) fostering the transition of the forestry/pasture sector to a market economy, separating commercial from regulatory functions and establishing mechanisms for self-financing of the commercial activities. These steps will require institutional reforms of forest/pasture administration including the establishment of a forestry environmental management unit and the enforcement of the existing legislations/enactment of new policy reforms to control illegal forest harvesting, as well as marketing and price reforms. The strategy reinforces the principle of decentralisation and the transfer of ownership to local governments, providing that they prepare and implement a forest management plan. This will be supported by the use of a Forest Cadastre. Emphasis is given to a participatory approach by local communities in the management of state-owned forests and pastures.

Albania has a rich biological and landscape diversity that maintains a wide variety of plant and animal species. There are an estimated 3,200 species of vascular plants and 756 vertebrate species in the country. About 30 percent of all European floristic reach exists in Albania as well 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 ecosystems and habitats include sand dunes, river deltas, alluvial forests, inland lagoons, coastal lakes, Mediterranean shrub, alpine meadows, continental and glacier lakes, as well as broadleaf and coniferous forests. The coastal lagoon system, in particular, is one of the most important complexes of the Mediterranean region and is under threat from an increase in human activity, including settlement and tourism. Marine habitats are also threatened, notably by loss of habitat and illegal sports hunting. Declining public interest in how Albania's natural resources are being used doesn't contribute positively to the efforts to improve biodiversity

If well managed, these areas would have significant potential to provide income from tourism and recreation, as well as to provide ecosystem services. In order to safeguard the sustainability of natural resource use, some of the steps the Government will undertake are: (i) continue to develop and implement policies aimed at improving watershed management by facilitating the village level management of mountain pastures and forests; (ii) ensure the sustainable long-term use of water

resources among competing claims; and (iii) develop and implement policies of marine resource and inland waters monitoring and surveillance. Some 6% of the country's territory has been given protected status in 58 areas, following similar principles to those applied for the EU Natura 2000 network. This compares with 18% for the EU as a whole. At present, the protected areas are focused on forest habitats. More coastal and littoral habitats are being added, and there is a plan to more than double the protected areas. However, studies and implementation are hampered from lack of funding.

Albania's fresh water resources will be subject to increasingly competitive demand by household consumption, industrial use, hydroelectric power generation, and agricultural irrigation. Some lakes are already subject to serious pollution problems. To ensure rational use of the country's fresh water and the sustainable use of Albania's marine and fresh water fishery resources, a strategy for water resources should be developed. Fish farming is common and creates some challenges to water resources, especially in coastal lagoons and mountain lakes that have important but fragile ecosystems and some rare species. The marine fisheries sector is also weak, with poor regulation leading to inefficient fishing methods that are harming fish stocks.

Albania has a rich cultural heritage. This is protected by law, but the use of the law is undermined because it fails to take account of the risks of environmental damage on monuments, for example through flooding, erosion and proximity to industrial pollution sources. In spite of these problems, Albania can use its cultural heritage in a better way as a means to fostering faster development of the rural regions and the country as a whole. There are several possibilities to prepare different projects where the cultural and natural heritage in combination with other activities could be an opportunity for the faster economic development. Such activities will be supported by rural development measures.

1.4 Quality of Life in Rural Areas

While agriculture will continue to play a dominant role in rural areas, especially as the main source of employment, non-farm rural businesses will need to develop to improve income opportunities, reduce both unemployment and emigration. Current non-farm development in rural areas is not significant and informal to some extent and has been growing at a slower pace than in urban areas. It is restricted to low-grade construction, underdeveloped services industry, and petty trade.

Remittances will be a vehicle for start-up investment in rural areas; but they need to be supplemented by financial services if sustained growth is to be achieved. Government support will include incentives for enterprise start-up and growth in rural areas, including competitive grant schemes, with strong local ownership. Funding will be provided for vocational training, especially in business skills, and for information technology and market information systems. Consolidation of recent improvements in property markets and commercial regulations will also help promote non-farm rural enterprises.

Non-agricultural activities on a farm represent an important additional source of income for rural families that are active in the field of agriculture. Such activities need a legal base in a new regulation regarding the additional activities on farms and support from the rural development programmes available for on-farm activities.

International tourism has a particular role to play in rural non-farm businesses, especially in the mountains and the coasts. The lakes of the south east and the north also offer possibilities. There are problems associated with harsh physical conditions, fragile ecosystems and inaccessibility, but these can also be attractions for tourism. The government is committed to reducing pollution and protecting the environment. Unplanned construction, often associated with short term tourism investment, has damaged some areas and will be controlled. This will require a programme of public education to create better awareness of the value of Albania's natural and cultural heritage, particularly for higher value international tourism which is the fastest growing market internationally and the most lucrative market for Albania. This will require some public investment in high quality infrastructure, particularly for water and sanitation.

Albania possesses promising opportunities in the development of farm tourism which could be mainly developed near the existing tourist capacities, or in the mountains, around the lakes and coastal region. Farm tourism could represent an important additional income source for the farms and the base to promote development of least favoured areas, such as remote mountain areas. Another opportunity is the development of farm tourism in combination with organic farming. Some of the farms active in the field of tourism could also offer eco-farm tourism services, which actually is becoming popular in the tourism of many countries.

Around the city of Tirana, but not only, some farms could be assisted to start "open farm services, where citizens would come to stay there for some hours or even one day, to buy some products, have some meal and enjoy the farm lifestyle. The development of farm tourism, open farms and services related to this will be strongly supported through the rural development policy.

Albania is also a good quality grape and fruit producing country, with products which can be better sold through "vine and fruit roads". Such roads can be created together with local communities and supported by rural and regional development programs. Around such roads other tourist activities could be developed appropriately associated with new infrastructure investments.

A persistent lack of rural finance is a major constraint to rural investments and development in Albania. The reasons for this include (i) the high transactions costs and high risks of rural finance, (ii) imperfect information on potential clients and on lending opportunities in rural areas, and (iii) not developed legal and institutional framework for secured transactions. These constraints have kept commercial banks firmly planted in urban centres, with limited coverage of rural areas which has slowed the development of rural financial market. A wide range of initiatives have been attempting to rectify this problem. Early projects tried to develop village credit funds as a mechanism of funding agricultural and rural initiatives, which now are being supplemented by concerted efforts to develop a national system of savings and credit associations, which will provide deposit and lending services to rural operators. These associations are expanding, but there are constraints contributing negatively to their

faster widespread over the rural area, whilst still retaining the quality of their portfolios.

Along with the development of a nation-wide system of micro-credit institutions, there are significant evidence that the commercial banking sector is beginning to expand its coverage outside urban centres.

1.5 Rural Development based on the local initiatives

Albania has acquired significant experience in mobilizing local communities, mainly through the contribution of a number of international donors funding programmes. The major benefit from these programmes was that the communities themselves had an active participation in the entire project cycle, i.e. they implemented projects selected by themselves. In general, the practical results from their implementation made them attractive for the local people. However, a recent evaluation of the MAFCP-UNDP Sustainable Rural Development Project identified that a number of needs require further consideration, including: provide training to potential Local Action Group (LAG) members; further improvement of the cooperation among the stakeholders; long-term efforts to change local attitudes and practices in managing the natural resources; better involvement of LAG s in national and international inter-municipal networks.

II. PURPOSE, STRATEGIC PRIORITY AND GOALS

II.1 Purpose of the Strategy

The purpose of the strategy is to provide a nationally agreed policy basis for rural development, consistent and in full coherence with principles and priorities of the government overall policy,. The strategy is drafted based on a deep-going democratic dialog and participatory approach, to ensure that development and subsequent implementation of the operational programs for rural development reflects appropriately the needs of the regions and rural communities in Albania

The strategy is based on the EU Rural Development Regulation and its Strategic guidelines for Rural Development in the period 2007-2013. It aims at realizing major priorities concerning in particular job generation in rural areas, sustainable growth of production and income of rural populations, protect environment and improve quality of life of rural people and make sure that implementation of Albanian Government as well as EU Policies are properly implemented

II.2 Time Period of the Strategy

The Albanian National Inter-sectoral Rural Development Strategy covers a time frame of 7 years, commencing on January 1st 2007. The year 2007 will be used to adopt the operational program for rural development, which will be prepared based in this strategy. The implementation of some activities will also start in 2007, either on a

pilot basis or as regular measures. After the end of the first year of the implementation the strategy, the operational program will be reviewed and adopted accordingly.

II.3 Strategic Priority

The strategic priority of the Albanian Rural Development strategy is:

To contribute to a fair development of all rural regions in Albania, to improve the quality of life in Albania's rural area in a sustainable way and reduce poverty among rural population.

II.4 Goals

The major goals of the Albania Rural Development Strategy are:-

1. Increase the competitiveness of the agricultural and agro-food sector through farm modernisation measures, as well as support for restructuring and the development of value added activities.
2. Protect and enhance the environment through the sustainable management of natural resources in rural areas.
3. Improving the quality of life in rural areas and promoting diversification of economic activities.
4. Developing the capacities of local institutions to effectively, manage community rural development programmes

The implementation of strategic plan of rural Development should also contribute to the achievement of strategic national goals through; support of economic growth in accordance with principles of sustainable development, increasing the human resource potential and raising of incomes through new job creation and improved social inclusion to ensure a higher quality of life.

All four goals of national strategy aim at the improvement of the economic and social conditions in the rural areas and complement each other. Their link with the need to improve the competitiveness of the farm sector and market efficiency, the creation of jobs and achievement of higher quality of life is ensured.

Achieving the goals will help to keep people living in rural areas, thus maintaining traditional social support structures and reducing the social problems and public costs associated with migration to urban areas. Experience in other countries shows that rural development can benefit significantly from improved economic, social and cultural linkages between rural and urban areas.

III. POLICIES AND ACTIVITIES

The Rural Development Strategy contains nine main policies organised into four axes, following the guidelines of the EU Rural Development Regulation (RDR). Each

policy corresponds to a selection of the measures included in the EU RDR. Each policy, or measures, is supported by a number activities.

AXIS 1: COMPETITIVENESS OF AGRICULTURE, AGRIBUSINESS AND FORESTRY (50% of total budget).

Baseline analysis. Based on the need for restructuring the Albanian agriculture and food processing sectors to face the EU competition, the potential for improvement, and the impact this in turn will have on some of the poorest and most vulnerable groups in Albania, the budget for Axis 1 is projected to be the biggest, thus 50% of the total rural development budget for the 2007-2013 is allocated to this axis. It will include support to Albanian producers and processors adapt to the requirements of EU standards for food safety and animal welfare.

The measures and activities under axis 1 shall also contribute to the achievement of objectives of the other three axes, so helping to improve the quality of life and the preservation of the environment, through more environmentally friendly production/processing and reducing land abandonment.

In pursuing axis 1 policies, Albania will continue to implement the programme of work of the Agricultural Advisory Service (AAS), financed through state budget or partially by activities in the market place. The activities of the AAS are foreseen in the Agricultural Strategy and the annual programmes by the Ministry of Agriculture, Food and Consumer Protection.

Modernization and restructuring of agriculture (55 % of axis 1 resources)

A significant part of the funds under axis 1 will be targeted at modernizing the buildings and livestock premises in the holdings, as well as for the enterprises in the food processing industry. The target group for the aid will be the middle-sized farmers, the micro, small and medium-size processing units. Support will be provided to the specialized semi-subsistence holdings, which actually have the potential to increase their market access after the support. This support will be complemented by the provision of consultant services, training and support for the association in producer groups, so that better market access is facilitated. Especially important is the support in the milk and meat production sub-sectors.

Farm consolidation will be promoted by a number of the activities under the first axis, including measures to encourage the more dynamic farmers to use land that is currently under-utilised. The increased opportunities for income generation that are promoted by this axis will lead to an increase in investment in farms and in agricultural processing.

Objective: Activities shall be targeted at technology adjustment to Community standards, at structural improvements required to increase the competitiveness in agriculture, and at the improvement of income of farmers.

Activities:

- *Modernisation of agricultural holdings*

- *Helping farmers to adapt to Community standards*
- *Setting up of young farms*
- *Early retirement of farmers and farm workers, where this helps to promote consolidation of farms*
- *Improving and developing infrastructure related to the development and adaptation of agriculture and forestry*

*Increase of value added and quality in production and processing
(30 % of axis 1 resources)*

Albania has a good tradition in producing foods, which is already known in the European markets – the Albanian olive oil, yogurt, white cheese, meat from small animals, mussels etc, but the successful future development of the processing sector and its abilities to compete with the dynamic food production sector in Europe depends on how much capable and flexible it will be to embark on a development based on innovations. Approximately 30% of the funds under Axis I will be targeted at supporting rural and agricultural innovations and initiatives. In this vein the cooperation between research – agriculture and processing will be promoted. Support will focus on activities that promise to have a positive impact on exports, and sub-sectors that are important for the internal market, such as wine, fruits, vegetables, milk, honey, plant oils, forages and milling industry.

A significant part of the investments will be directed at meeting the Community standards, especially in the construction of facilities for manure management and purification installations, especially in the nitrate–vulnerable zones. In “milk and meat” sub-sectors the investment will be targeted at meeting the hygiene requirements. In sector “poultry” the stress will be placed on introducing the new European legislation related to the animal welfare concerning egg-laying hens. The programme will concentrate on substantial investments that can hardly be secured without the support. Adding value to agriculture products will also be supported at the farm level, including support for post harvesting activities and marketing, as well as improved public awareness about quality of local products.

Objective: Activities shall be targeted at strengthening efficiency, innovation promotion, quality improvement and environmental protection during and as a result of the production, processing and marketing of agricultural, food and forestry products. Special attention shall be paid to integration alongside the food chain, recovery of raw materials for renewable energy sources from crops and wood, and participation in quality schemes.

Activities:

- *Adding value to agricultural and forestry products*
- *Supporting farmers who participate in food quality schemes*
- *Supporting producer groups with information and promotional activities for products under food quality schemes*

Sustainable and efficient forest management (10 % of axis 1 resources)

Forest management has lesser role under Axis 1 and will be supported for investments in improving the economic value of the forests and forest infrastructure, as well as the wood –yield machinery. Support will improve labour productivity and technical competence.

Objective: This priority is aimed at increasing economic efficiency of forest management and economic value of the forests. Special attention shall be paid to activities to improve yield, as well as economic and energy potentials of forests. Support to improve the network of forest private users will be another aspect of the support in this area. The activities shall be in whole coherence with the principles of sustainable forest management.

Activities:

- *Improving the economic value of forests*
- *Support to set up producer groups in forestry*

Increase of competence level and employment (5 % of axi 1 resources)

Part of the Axis 1 funding will be directed at the training of farmers. Special attention will be devoted to the training young farmers and the producers of organic products. The investments to upgrade human resource potentials are an inseparable part of the process for adaptation to the EU requirements. The measures targeting the development of the human potential will be used to foster managerial skills of the managers of the farm holdings. Some support will also be provided to train farmers in techniques for organic production, marketing and cooperation. Supporting dynamic people in rural community will be continuous and will be provided on a fair basis..

Objective: Activities shall contribute to the increase of skills and professional competence of farmers and private forest holders as well as employees in wood processing? industry.

Activities:

Vocational training and information activities

AXIS 2: PRESERVATION OF CULTURAL LANDSCAPE AND ENVIRONMENTAL PROTECTION (10% of total budget)

Baseline analysis. Albania has varied and relatively unspoilt natural resources. Farming and forest practices are relatively extensive, environment-friendly and there is good scope for farmers to benefit from their multifunctional role of providing landscape for recreation and producing food. The second goal is associated with the development of agricultural methods consistent with the protection and the preservation of the environment, compensating the producers in the mountainous areas for keeping their land in good conditions, and preserving important cultural landscapes. This goal is contributing to the achievement of the European strategic priority: “Improvement of the environment and the countryside”. The budget for this Axis will be 10% of the total.

Axis 2 measures are not capable of solving *per se* all the problems associated with the preservation of landscape and the environment. The strategy is based on a balanced and integrated approach, where the preservation of the landscape and environment is also a priority under the other axes. To prevent nitrate pollution due to agricultural activities, the development of organic production and purchasing of necessary equipment for mowing and baling are but necessary investments, which the farmers will be supported under Axis 1.

All activities in this intervention aspect add value to the agricultural sector through improved multi-functionality. In addition, they contribute to a more balanced farm income and better environment contributes to higher quality of life in the countryside, but not only.

Preservation of landscape in less favored areas (about 10 % of axis 2 resources)

The support of activities to improve the use of agricultural land in mountains and the respect of the good agricultural and environment conditions in these areas will reduce the abandonment of these areas. It is planned that 35% of the Axis 2 budget will be for the support of farmers in the mountain areas.

Objective: The maintenance of agriculture in areas where due to natural obstacles (mountainous terrain, steepness, flooding, soil sliding, and strong winds) the use of the generally accepted technologies is not possible. In these areas the production is extensive and the quantity produced and productivity are far lower than in the lowland areas. The production in these areas is significantly weaker. Indirectly, this priority is aimed at the maintenance of rural landscape and the keeping the population in rural areas, where agricultural activity is being abandoned, and thus preserve agricultural use on 300,000 ha agricultural land.

Activities:

Compensatory allowances for natural handicap areas

Environment-friendly agricultural practices (about 90 % of axis 2 resources)

Solution of the major problems will bring about: i-the preservation and the restoration of the bio and genetic diversity, ii-improved water quality iii- improved protection of soils against erosion and degradation, iv- promotion of eco-planning, v- identification and the maintenance of valuable habitats and landscape characteristics, vi-the preservation of the cultural heritage, vii- the introduction of appropriate crop rotations. Preventing abandonment of high-mountainous pastures and grasslands is a major aim of Government. One of the main programme activities is the conservation of the high nature value farmlands, which according to preliminary estimations (in conformity with the definition by European Environmental Agency) cover 20% of the agricultural land of Albania. The remaining NAEP activities are organic productions of the landscape. It is planned that 40% of the funds allocated for Axis 2 are preserved for the activities in the NAEP.

The elaboration of the NATURA 2000 management plans will also be supported through Axis 2. In Natura 2000 and high nature value areas it is very important to adapt the agricultural practices and avoid technologies causing undesired effects of animal and plant species, and respective habitats, extinction. Measures for strengthening the sustainable farming and sustainable forest use in the form of agro-environmental measures in handicapped areas will essentially contribute towards achieving the Natura 2000 objectives. Certain agro-environmental measures shall be target-oriented at the implementation of the requirements for achieving the objectives on the preservation of biodiversity and habitats. It is planned that in the 2009-2013 period will be provided support for the compensation of activities associated with the conservation of habitats and species, which are common for the important bird areas. Gradually they will be expanded to include also the activities targeting the conservation of the habitats defined in conformity with the Habitats Directive.

Forests in Albania are managed extensively and are relatively healthy environments. As a result, it is not necessary to devote specific funds to forestry under axis 2. Some support for forestry will be available under axis 1 and this will be managed in a way that will ensure that modernisation takes place in an environmentally friendly manner.

Agro-environmental measures shall contribute to the reduction of harmful substances into the environment, increased organic farming cover, reduction of possible point sources of pollution, erosion reduction and preservation of biodiversity.

Objective: All agro-environmental measures are targeted at improving natural resources: soil, water and air. The first activity group is aimed at the introduction of sophisticated agricultural practices improving the state of the environment by reducing the application of chemical substances and incorporating the nutrient cycle into agriculture, and also by introducing integrated control and organic production and prevention of nutrient leaching into the soil. The focus is biological plant protection, introduction of crop rotation and erosion reduction by grassing. The second activity group is aimed at agricultural holdings carrying out traditional agricultural practices enabling the maintenance of special features of Albania, such as areas with great diversity of agricultural cultures, grassland habitats (i.e. wetland meadows, karts meadows), humpy meadows, mountains and high-trunk orchards. This activity group contributes in the best possible way to the implementation of Nature 2000 and preservation of Albanian landscape characteristics as traditional farming methods contribute towards preserving diversity of domestic and wild animal species and plants, high nature value areas, special habitats and existing diversity of agricultural landscape. The activities are also targeted at conservation of autochthonous varieties of agricultural plants and domestic animal breeds. The third group of agro-environmental measures is aimed at the maintenance of farming in particularly vulnerable areas; therefore, the practices must be adjusted to the most stringent requirements of environmental protection.

Beneficiaries under agro-environmental payment scheme must meet the cross compliance requirements laid down in Regulation (EC) No 1782/2003 and Regulation on statutory management requirements and good agricultural and environmental conditions for farming (OJ RS No 21/2005, 114/2005, 76/2006) as well as all conditions set down under individual agro-environmental measures and are above the

minimum requirements of the regulations concerned, and additional requirements related to the use of mineral fertilisers and plant protection products.

In 2007 the five year commitments for the implementation of agro-environmental measures under the rural development programme for Albania 2004-2006 shall continue in the programming period 2007-2013. As some agro-environmental measures of the programming period 2004-2006 shall be repealed, some shall be modulated or even be established anew, the beneficiaries who have carried out agri-environmental measures 2004-2006 shall be enabled to substitute them with measures 2007-2013. The measure adjustments and amendments shall be introduced mainly due to the adaptation to the cross compliance requirements and other European standards. Thereby, the whole agro-environmental scheme shall be conformed in a manner that every measure shall comply with the cross compliance requirements and, based on additional conditions, even go beyond them. Thus, in 2007 new five year contracting commitments for current beneficiaries to agro-environmental payments as well as the new ones for carrying out these measures shall be initiated.

Activities:

- Supporting agricultural practices improving environmental situation;
- Preservation of traditional agricultural practices and maintenance of genetic potential;
- Preservation of sustainable agricultural use in protected areas.

AXIS 3: IMPROVING QUALITY OF LIFE IN RURAL AREAS AND PROMOTION OF DIVERSIFICATION (40% of total budget)

Baseline analysis. The Rural Development Strategy aims at creating jobs and improving the quality of life in the rural areas. This goal will contribute to the achievement of the third strategic priority of the Community, namely “improving the living conditions in the rural areas, and promoting the diversification of the rural economies”. This axis will receive 40% of rural development funding. The strategy for achieving this goal is based on the strengths and weaknesses of the rural areas, as well as on their problems and advantages as identified in the analysis.

The rural areas have resources outside the agrarian sector, which on their own present potential for their development: rich, diverse and preserved nature, multitude of vibrant rural communes, rich historical and cultural traditions; however, they need support for overcoming the lagging behind in their development, and to adapt to the changing socio-economic conditions.

Creation of employment opportunities in rural areas (20 % of axis 3 resources)

Modernisation and restructuring of agriculture will result in reduced employment in farming, which predetermine the necessity to diversify the economic activities, to create conditions for full-time or flexible employment of the workforce and to improve incomes. The creation of jobs in the rural areas outside agriculture will become more and more important in the future. Many of these jobs will come from small scale and family enterprises, often in activities that are complementary to farming (eg tourism,

processing and local crafts). Tourism and recreation will benefit for particular public support for the creation of information of centers and small-scale infrastructure offering access to natural sites. A high priority will be placed on encouraging the entrepreneurship vigor of the local people, and particularly women and young people.

Objective: The aim is to enhance business potentials in rural areas by diversification of agricultural holdings into non-agricultural activities as well as by promoting the creation and development of micro enterprises. Support shall be aimed at enterprise development based on competitive advantages of the countryside (traditional knowledge, manpower, raw materials, and working environment). Support for vocational training and information actions shall be targeted at economic actors and other inhabitants of rural areas operating in the fields covered by axis 3.

Activities:

- *Support for creation and development of enterprises based on competitive strengths of rural areas;*
- *Supporting diversification of agricultural holdings;*
- *Specific training and information actions of economic actors in rural areas.*

Improvement of the quality of life in rural areas (80 % of axis 3 resources)

The provision of appropriate infrastructure or the renewal of the existing networks favours the overall access to the territories and, hence, the economic growth of the rural communes and the attraction of investments. Poorly performing water supply networks need to be improved and sanitation is very limited in rural areas. ICT penetration in rural areas is also important.

The preservation of the historical and cultural heritage of the rural areas is important for the preservation of their real identity. This makes the revival and the protection of the rural heritage indivisible part of the rural development policy. Preservation of heritage will also have economic benefits through rural tourism.

Objective: Within the framework of this objective the priorities shall be: small scale rural infrastructure, revival of village cores, renewal of multipurpose facilities, setting up and use of local ICT, tourism and other infrastructure, securing the possibilities for performing versatile activities, and renewal of cultural and natural heritage. The priorities shall be targeted at the establishment of appropriate services for enterprises in the countryside and for the inhabitants.

Activities:

- *Village renewal and development, including local roads, water and sanitation;*
- *Supporting conservation and upgrading of the rural heritage;*
- *Basic services for enterprises and rural population.*

AXIS 4: PARTICIPATORY RURAL DEVELOPMENT

The implementation of the rural development policy after 2007 will introduce the LEADER Approach as an instrument for decentralized governance and integrated rural development. In the pre-accession period, MAFCP will build on existing experience with LEADER style development, from MADA, ADF and local planning activities. Support from the various donors will expand and replicate these initiatives and projects all aiming at the creation of capacity for implementing the LEADER Approach. In common with EU practice, all rural development funding should have a community-based dimension. In addition, a further 5% of rural development funds will be allocated exclusively for projects that use community-based rural development practices for small projects.

Achievement of the rural development policy goals will not be possible without the involvement and the actual participation of the people, without the creation of local capacity, without informing and training the local people to prepare and implement local development strategies. Encouraging the dialogue and the cooperation among the various local actors involved with rural development is an important step in strengthening the civil society and building working partnerships at local level.

That is why it is necessary to support future efforts for building the capacity of rural areas to:

- *Prepare local development strategies,*
- *Setting up and start operation of platforms for rural innovation*
- *Setting up and strengthen Local Action Groups,*
- *Implement the local development strategies,*
- *Promote the cooperation among regions, as well as the international cooperation.*

Throughout the first years it is particularly important for Albania to focus on the activities related to skills acquisition and preparation of development strategies in parallel to the creation and strengthening of Local Action Groups. This should be done using the opportunities under skills acquisition and animation of the territories.

To develop the local capacity and improve the local self-governance Albania will also start the implementation of local development strategies by existing LAG-s.

Based on the limited local capacity at local level for creating the LAG-s, their limited management skills for development strategies for rural areas and insufficient skills for networking and cooperation – especially outside the rural communities, greater support will be released for measures and activities associated with information training and skills acquisition at the local level . When defining the financial weight of the different activities and measures supported by this axis, stress will be put on managing and on implementing the Local development strategies.

LAG-s of Albania will be active throughout all rural areas and therefore the local initiative priorities will be realized through measures and activities under Axis 3, through provision of easier access to support under the measures under Axis 1, and through measures under Axis 2 whenever sustainable forest and land management is pursued.

IV. RURAL PROOFING OF WIDER PUBLIC SERVICES AND INVESTMENT

The four axes describe the strategy for rural development that will be funded through a coordinated rural development programme. In addition, the national rural development strategy also covers the rural impact of other public services and investment, including, in particular: education, health, social welfare and infrastructure.

The rural impact of these wider activities will be monitored through a system of 'rural proofing' in which each responsible ministry is required to produce periodic 'rural proofing' reports on the rural impact of its activities. These reports will follow a similar pattern, providing: (i) a description of current spending patterns, comparing rural and urban areas; (ii) an explanation of any patterns in this information; and (iii) an account of how management practices take account of rural-urban differences.

The annual Rural Proofing Reports for Education and for Health will follow a similar format. They will report on the geographical distribution of education spending per capita, for those expenditure items that can be allocated to regions. The report should also examine the extent to which rural areas face different education challenges and how provision is made to accommodate these challenges.

Government spending on Social Welfare involves mainly unemployment and disability benefits. Ministry of Labour will provide an annual report that indicates the geographical distribution of benefits and relates this to the distribution of population. The report will need to explain any patterns that emerge and how management practices deal with the reasons for regional variations.

Infrastructure investment in rural areas is managed mainly by the MPWTTC and the Albania Development Fund. Both these institutions will use their management systems to produce annual reports that describe the geographical location of their activities and analyse the proportion of the activities that take place in rural areas. Their annual Rural Proofing Report will also report on how their management practices affect the rural share of their activities and whether any special practices are needed to ensure that rural areas receive an appropriate share of spending. This analysis may include an assessment of the efficiency of spending in rural and urban areas.

V. MANAGEMENT AND BUDGET

V.1 Management

Rural development policy represents the second pillar of the agricultural policy in EU. Therefore in Albania, as in all EU member states, the Ministry for Agriculture will be the responsible (coordinating) ministry for rural development. Minister for

Agriculture will be the Competent Authority, responsible for giving and withdrawing the accreditation of the Paying Agency.

In order to achieve an efficient structure the Ministry for Agriculture will reorganise its internal structure in a way that all rural development policy will be carried out by one single directorate responsible for rural development. The directorate responsible for rural development is understaffed and will need some new employment (around 10 people). The new recruitment of the staff for the directorate for rural development will be done using the available people from the MAFCP and other relevant existing institutions in Albania. This directorate will be, according to the relevant EU Council Regulation 1658, nominated as the Managing Authority for the rural development programs.

The coordination at strategic level is of high importance for achieving complementary among the different objectives and thus optimal impact on the socioeconomic development of the country. The Coordination Body will also be responsible for supervising the rural proofing programme and for ensuring that participating ministries produce annual reports of a sufficient standard. A coordination mechanism will be set up in order to secure the appropriate distribution of the aid provided for rural development. This mechanism will be separate from the institutions responsible for managing and monitoring the programme in Albania.

The directorate for rural development of the MAFCP will also have a responsibility for providing secretariat support to the Coordination Mechanism.. The responsibilities of the secretariat will include maintaining a database of rural information. The information will be publicly available and will be compiled into an annual report on the state of rural development in Albania.

The Inter Ministerial Working Group (IMWG) will be responsible for the general inter-ministerial coordination at the level of the strategy and operational programs. The existing technical working group will provide the needed coordination regarding the tender preparation. In order to assure the complementarity among related activities.

Based on this Inter-Sectoral Rural Development Strategy an Operational Programme for Rural Development (rural development action plan) for the period 2007-13 will be prepared, covering the whole territory of Albania. The Strategy and Operational Program shall be supplemented, if necessary within the seven years programming period. For each of the years a Yearly tender will be announced.

Regarding the implementation of the rural development programs in Albania, two phases are envisaged:

i- During the first three years of the programme the implementation will be carried out by using the existing institutions and procedures

ii- After the first three years of the programming period a central Paying Agency will start to operate. In this period the responsibilities for the implementation of the rural development policy will gradually be transmitted to the competence of the Paying Agency.

The central Paying Agency will be established as an independent body under the umbrella of MAFCP and will be responsible for the implementation of the rural development, but also agricultural market policy in Albania. The Paying Agency will also be accredited as the only Paying Agency for EU pre-accession support and later on for the implementation of the CAP policy (both market organisations and rural development) in Albania. The Central Paying Agency may also implement rural development policies supported by different donors.

The **Paying Agency** will follow the procedures established in the relevant EU Council Regulations and associated implementing Regulations. In particular, they will fulfil the following requirements: (a) execution of payments and accounting; (b) a sound internal management control system; (c) presentation of clear, prompt, detailed and certified annual accounts and statements; (d) transparent and non-discriminatory procurement procedures which prohibit conflicts of interest; and (e) compliance with all Albanian public finance legislation.

The central Paying Agency will delegate some activities to the other institutions already existing and operating in Albania (like ADF, MADA), but this will apply only to those activities which are not treated as the basic activities of paying agencies.. These institutions will not be accredited as paying agencies and will cooperate with the central Paying Agency based on yearly contracts. The central Paying Agency will also use the services available at regional levels.

Some of the existing institutions and units (like 2KR, some regional and local offices, units, institutions) will be incorporated in the structure of the central Paying Agency in order to be efficient and financially reasonable. However, the central Paying Agency will have in the final year up to 400 permanent employees and the basic costs for the establishment will be up to 8 mil EUR (without investments in data bases) over a period of about ten years. Some of the employees will be recruited from other existing institutions and the costs of the establishment may be co-financed by EU and other donors. Paying agency should be start operating in about three years even though it will not have received full accreditations. Based on the experiences of new member states of the European Union, seven to ten years of work will be needed to get full accreditation for the Payment Agency. The central Paying Agency of Albania will, over a period of ten years, fully and completely implement agricultural and rural development policy in Albania even in case that EU membership is delayed.

Following EU practices the Advisory Group for the preparation of the strategy will become the **National Rural Network (NRN)**. At the same time the National Rural Network may be nominated as the Monitoring Committee. This will include the participation of local NGOs, regional or national networks of not-for-profit organizations, local action groups, national and regional associations of the municipalities, NGOs working in the area of sustainable local development and in the rural areas, associations of businesses and business organizations, environmental protection NGOs, equal opportunities representatives, municipal authorities, representatives of the national, regional and local divisions and services of the Ministry of Agriculture Food and Consumer protection and the Ministry of Environment and Waters.

Major functions of NRN will be:

1. Lobbying for the interests of rural areas in government policy, including approval of the rural proofing reports.
2. Provision of information to the network members – potential beneficiaries for the rural development measures.
3. Provision of training seminars and expert help for developing the capacities of the network members. Contribution to the creation and strengthening of the LAG-s capacity.
4. Initiation and mediation of the dialogue between the representatives of various organizations and structures actively involved with rural development and the authorities at the national and local level.
5. Strengthening and expanding the network during the period for RDP operations; organization of studies for the purposes of the programme.
6. Actions for participation in the European Network for Rural Development.

V.2 Budget

Table 2 presents an analysis of the extent of existing rural development activities in Albania. Nearly 500 of the 1800 projects listed in the 2006 budget can be classified as rural. A number of important programmes (including ADF infrastructure and Ministry of Economy enterprise promotion programmes) are nationwide and are not easily allocated to rural and urban areas. The analysis identifies about Lek 7.4 billion per year that is spent in rural development. This is 10.6% of public investment, which is nearly 70 bn Lek in the 2007 budget.

About one third of the identifiable rural project spending is for rural roads and rural water and is managed by the Ministry of Public Works, with donors contributing only 12% of funding. Irrigation and drainage accounts for 25% of rural development expenditure, with donors providing 65% of funding. Environmental projects account for another 25%, with very little donor support. Most of these are concerned with rural sanitation, rather than environmental projection, and would probably be classified as rural infrastructure under SAPARD.

Table 2 Analysis of 2006 Budget against SAPARD Measures (values in Lek billion)

Measure	Eligibility	Domestic	Donors	Total	Ministries
SAPARD					
Processing, marketing	facilities & equipment	142	25	167	Agri/Econ
Investment in holdings	facilities, stock, marketing	68	538	606	Agri
Rural infrastructure	roads, water, energy, ICT	2,277	307	2,583	Agri/PW
Environmental	farm systems, protection	5	1,553	1,558	Env
Water resources	irrigation, drainage, fishery	594	1,103	1,696	Agri
Quality control	food, phyto, vet, borders	43	0	43	Agri
Forestry	forests, marketing	221	148	369	Env
Diversification	processing, services, tourism	0	0	0	

Land improvement	soil, reparaCelling, tracks	44	0	44	Agri
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Land registers	land registration, consolidation	87	200	287	Agri
Farm management	advice, machinery, relief	0	0	0	
Village renovation	heritage, community halls	0	0	0	
Producer groups	joint marketing	0	0	0	
Training	farming, processing, ecology	0	0	0	
TA	management, awareness	0	0	0	
Total		3,481	3,874	7,355	

Spending on rural development can be expected to increase at least in line with **total public investment**. In fact, as Albania approaches EU norms, the share of rural development in public investment is likely to increase. The macroeconomic analysis suggests that government capital spending will increase from about 6% of GDP to 9% of GDP, which combined with GDP growth of 6% per year, will result in a 46% increase in government spending from 2006 to 2009, expressed in constant prices. This will produce total rural development spending of about Lek 10.7 bn, across all government institutions, if rural development maintains its current share of total investment.

In the **2007 budget**, **MAFCP** manages only Lek 359 million of rural development expenditure, largely associated with donor projects involved in rural enterprise promotion. This is less than 5% of the total budget. This share will increase steadily as the EU support for rural development is channelled through the Rural Payments Agency and as other domestic and donor funded activities recognise the value of putting investment through the Agency. If Albania receives the same amount of funding per capita for rural development under IPARD as was provided under SAPARD, this will amount to about € 17m per year, or about Lek 2bn, and will therefore account for nearly two thirds of the increase in rural development spending. All of this increase will be managed through the RPA. If all the increase in rural development budget is managed by MAFCP, then this will involve Lek 3.7bn, or about 35% of total rural development funding.

Data show changes between 2006 and 2009, based on maintaining a constant share of projected public expenditure and on the percentage **allocations** that are proposed in the strategy. It is assumed that these shares apply both to the part of rural development that is managed by the MAFCP and that managed by other ministries and agencies of government. The table shows that the largest increases will be experienced in support for value added and marketing and non-farm employment. Significant increases will also occur in support for farm modernisation and rural infrastructure. Three measures will receive significant funding for the first time, of which the support for non-farm employment will be the most significant.

Table 3 Rural Development Budget

	2006		2013			EU minimum
Axis 1	%	m Lek	m Lek	% of axis	% of total	
Farm Modernisation	35.8%	2,633	4,675	55%	27.5%	

Value Added / Marketing	2.9%	210	2,550	30%	15.0%	
Forests	5.0%	369	850	10%	5.0%	
Training / Advisory Services	0.0%	0	425	5%	2.5%	
<i>Total</i>	43.7%	3,213	8,500		50.0%	10%
Axis 2						
Less Favoured Areas	21.2%	1,558	170	10%	1.0%	
Agri-environment & Natura 2000	0.0%		1,530	90%	9.0%	
<i>Total</i>	21.2%	1,558	1,700		10.0%	25%
Axis 3						
Non-farm Employment	0.0%	0	1,190	20%	7.0%	
Quality of Rural Life / Infrastructure	35.1%	2,583	4,760	80%	28.0%	
<i>Total</i>	35.1%	2,583	5,950		35.0%	5%
Axis 4						
Participatory Development		0	850		5.0%	
Grand Total	100.0%	7,355	17,000		100.0%	

Note. Farm modernisation—support for investments to help farms improve output and efficiency, adopt new practices, expand and consolidate; value added and marketing – support to help farms and groups of farmers supply domestic and foreign markets, including meeting quality standards; forests—support for investments to improve the efficiency of forest management; training and TA—support for skills development amongst farmers and those in the farming chain. LFA—support for farmers in disadvantaged areas (including mountains); agro- environment—payments to farmers to encourage them to manage the environment. Non-farm employment—support for investments to promote non-farming enterprises in rural areas, including those on and off farms; quality of life/rural infrastructure – grants for rural roads, water and sanitation and small community projects.

At present, donors fund about 50% of all rural development activity. The share of donor funding for total public investment will decline and it is assumed that this will affect rural development in proportion to other sectors. In practice, the expected allocation of IPARD funds, and continued support for rural development from some other major donors, may protect rural development from this fall. Table 4 presents the levels of donor funding for each policy, which follow a similar pattern to that of total spending.

Table 4: Donor Funding

	Donor Funding			
	2006		2009	
	Lek	%	Lek	%
Axis 1				
Farm Modernisation	1,641	70%	1,911	63.2%
Value Added / Marketing	25	12%	177	10.7%
Forests	148	40%	199	36.3%
Training / Advisory Services		60%	149	54.2%
<i>Total</i>				
Axis 2				
Less Favoured Areas	0	60%	60	54.2%
Agri-environment & Natura 2000	1,553	100%	892	90.1%
<i>Total</i>				
Axis 3				
Non-farm Employment	0	60%	417	54.2%

Quality of Rural Life / Infrastructure	307	12%	331	10.7%
<i>Total</i>				
Axis 4				
Participatory Development		60.0%	298	54.2%
Grand Total	3,674	50.0%	4,434	40.3%

VI. MONITORING AND EVALUATION

VI.1 Payment agency

The activities of the rural development strategy will be monitored using the practices applied for EU rural development program. Annual monitoring reports will be produced based on information provided by project management. In addition, evaluation reports will be produced before (ex-ante) any program is started and at key periods during the program, normally at mid-term and after the end (ex-post).

The Payment Agency will be responsible for obtaining the monitoring reports and the Rural Development Department will be responsible for approving the quality of the reports and for compiling a single summary consolidated annual monitoring report. Evaluations will be contracted by the Payment Agency and will be done by independent organizations, such as consulting firms or academics. The Rural Development Department will be responsible for making sure that evaluations are taken into account during policy formulation and revision.

Table 5: Indicators

Indicator	Evaluation parameter	Baseline value	Target value in 2013*	Responsible institution for data collection
AXIS 1				
Labour productivity in agriculture	GVA (gross value added in EUR) per MWU (man-work unit)	1973EUR (INSTAT, 2004)	2072 EUR (+20%)	Instat
The size of agricultural holdings	An average size per agricultural holding	1.1ha (MAFCP, Statistical Yearbook)	1.98ha (+80%)	Instat, MAFCP
Labour productivity in food industry	GVA per employee	4547EUR (INSTAT, 2004)	4670 EUR(+5%)	Instat
Education level of the farmers	Percentage of the farmers with concluded primary school (8 years)	48% (MAFCP, Statistical Yearbook)	57.6% (+20%)	MAFCP, Ministry for education
Training and education in	Percentage of farmers with concluded primary	48% Extention Service	58% (+20%)	Extention Service

agriculture	and post-secondary non-tertiary education in the field of agriculture			
Qualification of farm holders	Farm holders share with any agricultural education	Primary 17%, secondary-post secondary 31 (Extension Service)	+5%	Extension Service
AXIS 2				
Biodiversity	The share of the land protected because of the special bird species	<i>Not designated yet!! (Ministry of Environment)</i>	1% of the territory	Ministry of Environment
Cultivated land in the protected areas	The share of the cultivated land in protected area	6% (183.400ha) (Ministry of Environment)	12% of total agricultural land (367.000ha)	Ministry of Environment
Water quality	The share of the land under the water protected areas	1% (27.300ha) (Ministry of Environment)	2% (54.600ha)	Ministry of Environment
Engagement in organic farming	Percentage of areas under organic production in regard of total UAA	Less then 0.1% MAFCP	Around 0.12%	MAFCP
Climate changes	Production of renewable energy in agriculture and forestry	<i>13.2% of the total source of energy (2001 figure only!!)??</i>	14% (+5%)??	Ministry of Environment
Cultivated land in natural handicap areas	Percentage in regard of total agricultural land in natural handicap areas	These areas are still not designated	Introduction is envisaged for the first time for the year 2010	MAFCP
Areas under agri-environmental measures	Land cover under agri-environmental measures	1.200ha (estimation of the Organic Farming Association)	2000ha	MAFCP, Ministry of Environment
AXIS 3				
Farms with non-agricultural income and employment sources	Farms with non-agricultural income and employment sources	8.9% (MAFCP, Statistical Yearbook, 2005)	9.79% (+10%)	MAFCP, Instat
Employment of non-agricultural sector	Employment in secondary and tertiary sector (in %)	45% (INSTAT, 2005)	54% (+20%)	INSTAT
Economic development of non-agricultural sector	GVA in secondary and tertiary sector (in million €)	4100EUR (INSTAT, 2004)	EUR 4387 (+7%)	INSTAT

Self-employment	Self-employment share in non-agricultural sector in total employment			MAFCP, Ministry of Labor, INSTAT
Internet take-up in rural areas	Percentage of population with Internet access	0.9% (LSMS-INSTAT)	4.5% (+500%)	INSTAT
Development of services sector	Percentage of services GVA (of total GVA)	53.7%(INSTAT, 2004)	57.5% (+7%)	INSTAT
Life-long learning	Percentage of training participants aged 25-64	2% (estimation of the MAFCP)	Increase	MAFCP-Extension Service

*The target values stated are indicative and shall be corrected if necessary.

EAA – Economic Accounts for Agriculture

NA – National Accounts

AHS – Agricultural Holdings Structure.

VI.2 Definition of “Rural Areas”

Albania will adopt a formal definition of rural areas, in collaboration with the Ministry of the Interior and INSTAT. Eligibility for rural development support will, for most programmes, be defined by the characteristics (and particularly employment) of the beneficiary, rather than the place in which they happen to live. Thus farms that happen to be located within the administrative boundaries of an urban area will not be excluded from receiving rural development support. Some programmes will be limited to communities that are in rural areas. The definition of rural areas will be based on settlement patterns, defined through population density. The standard OECD definition (population density of less than 150 people per square kilometre) will be the basis for classification. Administrative units (such as communes) in which more than 25% of the population live in rural zones will be classified as rural. Where figures on population densities are not easily available, the standard administrative town boundary definition will be used until the figures are available.

VII. CONSISTENCY AND COMPLEMENTARITY OF THE STRATEGY

VII.1 Consistency of the Plan with other International and European strategy documents and action plans

Consistency of support for rural development, rather than farm production, is in line with WTO negotiations. The focus on competitiveness is also consistent with trade liberalisation.

The measures envisaged for deforestation will contribute to the implementation of Kyoto Protocol decisions, and the Convention against desertification. The restoration of the production potential and the introduction of preventive measures is in accordance with the priorities of the Ministerial Conference on Forestry Protection in Europe.

The support for training in the area of new information technologies for agricultural producers within Axis I and through the support for the establishment of computer clubs and information centres in the villages within the framework of Axis 3, the European priority for penetration of ICT in agriculture and rural areas will be realized.

VII.2 Coordination among the priority areas

Within the first Axis the support to semi-subsistence farms will be complemented with the provision of consultant services, training and support for association in Producer organizations, under axes 3 and 4, thus securing better markets for their members. Preconditions for bio production will be secured through training and through investment support, requiring coordination between axis 1 and axis 2. Producer organizations in organic-production may also benefit from support through axes 3 and 4.

The measure "Training", under axis 1, will be used for acquisition of basic knowledge for the ecological practices in land management, which will benefit axis 2 measures. Trained farmers will be potential beneficiaries under the NAEP measures.

The elaboration of the management plans for the NATURE 2000 locations, under Axis 2, will be supported by the Axis 3 measures.

Through the support for agricultural producers in mountainous areas within the axis 2, preconditions will be set for preserving the environment and its attractiveness – good agricultural and environmental conditions. The support will be complemented by support for diversification of the activities outside agriculture (i.e. rural tourism, craftsmanship) in axis 3.

The coordination between farm modernisation and diversification will be strong as many of the new business opportunities supported under axis 3 will have important economic and personal linkages with the farming practices supported under axis 1.

VII.3 Consistency with other Sector and Cross-Sector Strategies

The Rural Development Strategy is closely linked with the Agriculture Strategy, which describes the goals and policies for the services provided by the MAFCP. Many of these services are designed to provide the technical and institutional support to enable rural development activities to be successful. A modernised extension service will be a major source of advice to farmers in modernisation and in business diversification and expansion, quality certification must be hardly considered also.

Irrigation support will also be an important part of farm modernisation and the commitments to consolidation of land market reforms will be crucial to create farms of sufficient size to benefit from rural development support. The veterinary and plant protection institutions will provide the support necessary to enable Albania farmers to make effective use of the support for value added and market that will be provided under the rural development programme.

The Environment cross sector strategy covers air quality, climate change, energy, water and waste, soil protection, biodiversity, land use management (mainly for urban areas) and environmental damage (mainly associated with industry). All the main issues that affect rural areas will be addressed by the rural development strategy. The rural development policies on agri-environment will help reduce diffuse water source pollution arising from agriculture and forestry and will help to promote farmer cooperation in strengthening protected areas. Rural infrastructure support under rural development will improve rural sanitation. Support for forestry will reduce deforestation and hence help to protect soils. Support for participatory development, under the fourth rural development axis, will be available to assist communities in cooperating with the expansion and strengthening of protected areas. Decentralization process is an important step for forestry management.

Collaboration with the Regional Development cross cutting strategy will be actively pursued. As the full regional development strategy will not be ready for another year, this will be an ongoing process. Particular attention will be given to reaching an effective agreement on the delineation of responsibility for support to enterprise development. Rural development will focus on farm-based enterprises, including value added and marketing activities and on the smallest non-farm enterprise initiatives. Regional development will focus on the larger non-farm enterprise development in rural areas. MAFCP and the Ministry of Economy will maintain close collaboration to ensure that the most efficient use is made of local development implementation capacity.

Collaboration will also be required with the MPWTTC in the implementation of the Transport and Water strategies. Initially, this will be through the rural proofing process, although some field collaboration will also be possible, utilising the important local project management capacity of MPWTTC.

Annex 1: List of documents used (to be completed)

National Strategy Plan for Rural Development 2007-2013, Republic of Bulgaria

National Strategy Plan for Rural Development 2007-2013, Republic of Slovenia

Albania, sustaining growth beyond the transition, WB, 2002

Strategy of Albania, EBRD, 2002

Albania: A poverty assessment, WB, 2003

Strategy for Economic Growth and Poverty Reduction, MAFCP, 2001

Agricultural Extension Policy, MAFCP, 2001

Rural Development in the European Union, EU, 2003

Europe's Agenda 2000, EU 1999

Annual Report 2005, Bank of Albania

"Albania Rural Development Strategy: Underpinning Growth and Sustainable Development", Frauke Jungbluth (World Bank) and David Lugg (FAO), 2002.

"Achieving the Millennium Goals in Albania", UNDP, Albania 2004

"National Strategy for Social and Economic Development: Ministry of Agriculture and Food Action Plan 2003-2006", Ministry of Agriculture and Food NSSED Monitoring Unit, Tirana 2003.

"Republic of Albania Ministry of Agriculture and Food 2003 Annual Report", Republic of Albania, Ministry of Agriculture and Food, Tirana 2003.

"Republic of Albania Ministry of Agriculture and Food 2002-2005 Working Program", Republic of Albania, Ministry of Agriculture and Food, Tirana 2002.

"Strategy of Agriculture and Food", Republic of Albania, Ministry of Agriculture and Food, Tirana 2003.

Mission report of VAKAIS International S.A. Greece, for Rural Development in Albania November, 2004

Assessment mission for Agriculture and Rural Development, from TAIEX unit, in close cooperation with DG- Agriculture and rural development in European Commission November 2005.

"Fact Sheet: Rural Development in the European Union", EC 2003.

"Guidelines for the Switch from SAPARD to Post Accession Rural Development Instruments (2004-2006)", 17.9.2003.

"Proposal for a COUNCIL REGULATION on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)", Brussels 14.7.2004, COM(2004)490 final, 204/0161(CNS).

“Proposal for a Council Regulation on support to Rural Development by the European Agricultural Fund for Rural Development: EXTENDED IMPACT ASSESSMENT”,
Commission Staff Working Document, COM(2004)490 final.

Council decision of 20 February 2006 and community guide lines for Rural Development (programming period 2007 to 2013) 2006/144/EC

Council Regulation (EC) No 1698/2005 of 20/ September 2005, on support for rural development by the European Agricultural fund for rural development (EAFRD)

Annex 2: List of contributing people *(to be completed)*

Myslym Osmani	General Director of Agriculture Policies MAFCP
Grigor Gjeci	Director O Rural development Policy MAFCP
Teuta Topi	Chief of sector Rural Development Sector
Erida Muka	Specialist at Rural Development Sector
Etleva Husi	Chief of sector of Policy analysis
Edlira Lunza	Specialist at Policy analysis sector
Roland Bardhi	Mountain Area Development Agency (MADA)
Blendi Bushati	Albanian Development Fund (ADF)
Zana Konini	Union of Credit and Saving Associations (UCSA)
Enver Ferizaj	Albanian Agro-business Council (AGC)
Enver Isufi	Organic Agriculture Association (OAA)
Roland Cela	GTZ
Fredi Brahusi	2KR
Kujtim Muca	Agriculture Services Project (ASP)
Kristaq Pata	Agricultural University of Tirana (AUT)
Isuf Demirxhiu	Farmers Association (FA)
Anila Vendresha	OXFAM
Inma Perez	Spanish Cooperation
Agron Sula	Association of Communes
Ibrahim Hackaj	World Bank (WB)
Arben Qesku	DFID
Anila Gani	Agency for Promotion of Small Enterprises (APSE)
Pellumb Qosja	Agency of Export Promotion (AEP)
Etleva Dashi	Albanian Center for Development and Integration (ACDI)
Fatos Cocoli	SNV
Stefano Cocco	Italian Cooperation

Annex 3: List of regional consultations

Korca

Shkodra

Peshkopi

Vlora

Fier

Annex 5: Acronyms

IPA	Instrument for Pre-Accession
MAFCP	Ministry of Agriculture, Food and Consumer Protection
RDR	Rural Development Regulation (of the EU)
RDS	Rural Development Strategy
ISRDSA	Inter-sectoral Rural Development Strategy of Albania
NSP	National Strategy Plan
EAFRD	European Agricultural Fund for Rural Development
LSMS	Living standards measurement survey
EC	European Community
RPA	Rural Payment Agency
SAPARD	Special pre-Accession Programme for Agricultural and Rural Development
IPARD	Instrument for Pre-accession Agricultural and Rural Development
EU	European Union
GDP	Gross domestic product
WTO	World trade Organization
FTA	Free Trade Agreement
PTD	Participatory Technology Development
LAG	Local Action Group
MPWTTC	Ministry of Public Works, Transport and telecommunications
INSTAT	Institute of Statistics
OECD	Organization for Economic Cooperation and Development
CAP	Common Agriculture Policy
MADA	Mountain Area Development Programme
ADF	Albanian Development Fund
RDP	Regional Development Programme
DFID	Department for International Development