

profile

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Albania: Mountain Areas Development Programme

The Mountain Areas Development Programme (MADP), an IFAD–initiated programme co-financed with the Government of Albania, Netherlands Development Organisation (SNV), Italian Cooperation and the Department for International Development (DfID) of the United Kingdom, was designed against the backdrop of the financial emergency and resulting economic, political and humanitarian crises caused by the collapse of informal lending schemes that took place in Albania in the mid-’90s. The programme, which became effective in 2001, was designed to be implemented over six years and aimed at addressing the serious challenges facing poor people living in the mountain areas, such as low productivity, small farm sizes, limited access to financial services and weak market linkages. The overall objective of the programme was to raise the standards of living in the target populations through greater agricultural production and productivity, better household food security, increased incomes from agricultural and related rural enterprises, and improved infrastructure. To that end, the project was structured around a multifaceted strategy that included support to financial services, agricultural and agri-business development, and institutional strengthening.

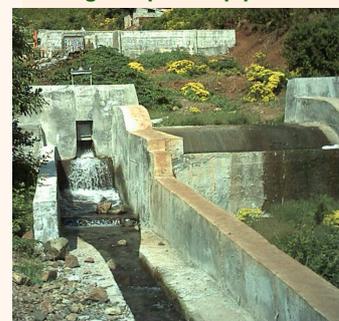
Main findings

For the first part of its implementation, the MADP was essentially non-performing. At project start-up, it relied heavily on interventions based on a collective action approach whereby groups and associations (often formed with the objective of accessing donor funds) acted as main implementation vehicles and were expected to ensure sustainability of the programme thereafter. This was particularly the case with regard to the irrigation, rural roads and vaccination sectors; however this approach was not suited to the individualized characteristics of Albanian society and the limited ability of centrally-imposed collective groups to deliver long-term benefits. Consequently, based on the findings of the mid-term review undertaken in 2003, IFAD and its partners decided to launch a strategic reorientation exercise aimed at restoring MADP’s relevance, improving its impact and promoting greater sustainability.

As a consequence, the programme shifted focus towards fostering structural change and supporting the rural private sector by promoting successful farmers and agri-business activities with high profitability and potential for increased commercialization. The key ingredient was to harness the renowned entrepreneurial spirit of Albanian business-men and -women in rural areas. As evidence shows, this has proved to be the only viable strategy for promoting sustainable, long term rural poverty reduction in the country’s mountain areas. The alternative - promoted to a certain extent during the early years of the programme - of focusing on incremental improvements in the poorest people’s agricultural production techniques for application on very small plots, proved unlikely to yield any



Beneficiary grows vegetables using an open air pipeline.



Captation of spring water constructed with IFAD’s support. Water is used for around 300 families and 180-200 Ha. A basin is present in the upper part where trout are bred.

Photos by Stefano Grego
Evaluation Mission 2007

PROJECT DATA

Project cost: US\$23.1 million

IFAD loan: US\$13.2 million

IFAD grant: US\$0.4 million

Cofinanciers:

- Government (US\$2.9 million)
- Beneficiaries (US\$1.2 million)
- DfID (US\$1.9 million)
- Italian Cooperation (US\$1.1 million)
- SNV (US\$1.2 million)

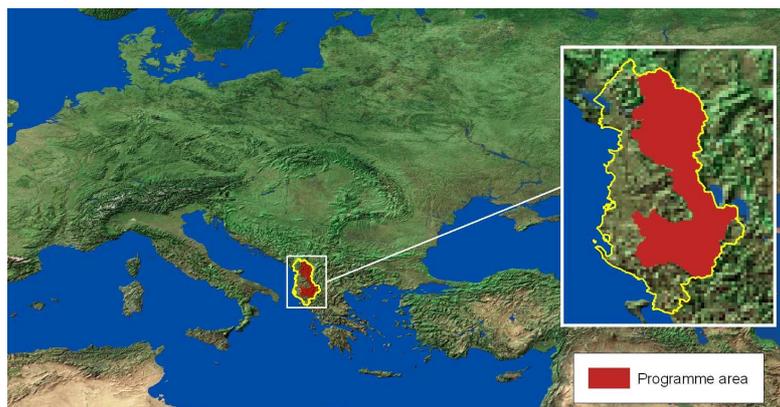
Cooperating institution: United Nations Office for Project Services (UNOPS)

Executing agencies: Mountain Areas Development Agency (MADA) and Mountain Areas Finance Fund (MAFF)

Project effectiveness: July 2001

Project completion: 3 September 2007

substantial impact on poverty reduction and rather to delay an inevitable rural transformation process towards greater commercialization and productivity. However, while living standards in the



mountain areas did improve rapidly during programme implementation, care should be taken not to attribute too close a causal relationship between MADP's interventions and these improvements. The MADP has undoubtedly played an important (and increasingly strategic) role in contributing to this positive result, although some of the earlier interventions often demonstrated both limited impact and substantial challenges in terms of sustainability, especially in

the areas of irrigation, rural roads and livestock vaccinations activities. Conversely, the more recent interventions focused on promoting the rural private sector and advocacy efforts have been more promising with regard to impact and sustainability.

The programme's most notable achievement has been to establish two core institutions, namely, the Mountain Areas Development Agency (MADA) and the Mountain Areas Finance Fund (MAFF) as permanent, locally-embedded institutions. Both have proved to be highly relevant as key players dedicated to the advancement of mountain areas in general and of poor rural people living in such areas in particular. Specifically, MAFF has demonstrated the viability of rural financial services and introduced innovative products such as flexible repayment regimes; MADA has become a more sustainable market-supporting centre of excellence for the development of mountain areas. Overall, MADA and MAFF have assisted in raising the profile of mountain areas on the Government's policy agenda. As a result of their activities, knowledge of the specific needs and problems of these areas, as well as of opportunities and investment potential there, is now significantly greater both among the public and among policymakers.

Key recommendations

- **Accelerate the strategic shift supporting a private-sector-led structural transformation.** This should form the basis both for growth in the mountain areas and for poverty reduction, but all partners should bear in mind that this will produce both winners and short-term losers. In the agricultural sector, it will entail support to land acquisition, commercialization and industrialization, a process that is likely to marginalize the least resourced farmers until such time as they can meet the increasingly demanding standards of modern agriculture.
- **Increase the mobility of the poorest people's labour market, thereby enabling them to exploit emerging non-agricultural opportunities.** The initial emphasis in MADA was to improve - marginally - the productivity of small-scale farmers by, for example, irrigation, vaccination programs and rural infrastructure. Instead, greater efforts should be made to complement the above-mentioned private-sector-led growth strategy, with targeted efforts aimed at improving the poorest people's skills and competencies, thus enabling them to take advantage of new opportunities emerging in both rural and non-rural settings.
- **Draw up a clear, sequenced and time-specific privatization plan for MAFF.** This institution should be vested with the full operational and management freedom necessary to remain competitive - something that only full privatization can offer. In this process, MAFF should be dissolved as an institution and reconstituted as a 100% government-owned (initially) for-profit non-bank financial institution (probably a financial development company), with the clear intention of selling its shares to a strategic investor.
- **Ensure more realistic analysis of incentives and political economy issues in the design of similar programmes.** The MADP experience testifies to the need to critically analyse the economic and political incentives of all stakeholders, especially when designing interventions based on a collective approach - whether for credit, infrastructure or natural resource management. The MADP experience also suggests that interventions that rely on the establishment of new groups and associations will need to be carefully evaluated, using both insight from the political economy of collective action and more simple incentive analyses.

Further information:

Albania, Mountain Areas Development Programme, Completion Evaluation, Report #2023-AL, November 2008, Office of Evaluation, IFAD, Via Paolo di Dono 44, 00142 Rome, Italy. The full report and profile are available online at www.ifad.org/evaluation; email: evaluation@ifad.org.