

The **International Fund for Agricultural Development (IFAD)**. IFAD continues to focus its investment activities in the Balkan region on four active borrowing member states – Albania, Bosnia & Herzegovina, the Former Yugoslav Republic of Macedonia and Romania. Activities are focused interventions that fit within IFAD’s mandate of combating poverty of the most disadvantaged groups in difficult rural areas, and include the provision of rural financial services, development of small-scale irrigation infrastructure, assistance to the development of agricultural support services (e.g., seed multiplication, veterinary prophylaxis) and the development of grassroots beneficiary organisations for the empowerment of the poor. A Regional Strategy Paper for Rural Poverty Reduction in Central and Eastern Europe and the Newly Independent States (adopted in February 2002) has been validated by Governments and shared with the donor community at large in an effort to assist in the formulation of Government rural poverty alleviation strategies, as well as develop synergies with other like-minded institutions.

IFAD support to its borrowing member countries in the Balkans started in 1994 in Albania with a USD 11.6 million loan to finance the Northeastern Districts Rural Development Project, which was followed by a USD 9.0 million loan to finance the Small-Scale Irrigation Rehabilitation Project (1995). These initial interventions were based on a ‘marginal areas development strategy’ and focused on the development of the poorest mountain districts in the country. The projects provided support to local government, small-scale rural infrastructure, access to village-based financial services, seed supply and multiplication, veterinary prophylaxis, and small-scale irrigation rehabilitation with associated water users associations development. The focus on marginalised areas was expanded to national coverage of mountain area districts with the ongoing Mountain Areas Development Programme (MADP), which is financed with a USD 13.2 million loan and USD 0.5 million grant. The MADP, cofinanced with DFID and the Netherlands Development Organisation (SNV) aims to raise living standards throughout Albania’s mountain areas through interventions implemented and financed through the Mountain Areas Development Agency (MADA) and the Mountain Areas Finance Fund (MAFF). MADA is tasked with elaborating a resource-efficient development programme for mountain areas and providing effective technical, financial and managerial support for its realisation. MAFF is the sole agency providing micro and SME financial services throughout the country’s mountain areas. MADP is continuing to finance the provision of rural financial services, small-scale irrigation rehabilitation, support farmers in their agricultural income-generating activities (and developing market linkages for their products) as well as the necessary support services required to develop the Albanian rural economy.

IFAD commenced operations in Bosnia Herzegovina after the conclusion of the Dayton Peace Agreement. Since the development of the rural economy has been disrupted by the transition process and the destruction wrought by the war, IFAD recognised that the key to revival lies in developing attractive income earning opportunities and providing improvement in the overall rural environment in order to encourage people to stay in the countryside. The focus was on the livestock sub-sector, the mainstay of the agricultural economy. Two quick dispersing projects, the Emergency Farm Reconstruction Project (1996) and the Small Farm Reconstruction and Development Project (1997) received some USD 20 million in IFAD loans. Both projects focused on the importation and distribution of livestock (cattle and sheep) to war affected households (namely poor farmers, resettlement people and women) in emergency packages of one cow or five sheep. The aim was to secure as rapidly as possible a sustainable subsistence base for the poorest and neediest people); and to lay the foundations of small-scale, private sector, market-oriented agriculture so as to generate the necessary surpluses to promote and maintain growth in the agricultural sector. Several surveys have demonstrated the positive impact of the project on restocking of livestock, income, food security and nutrition of beneficiaries. In 2000 IFAD reoriented its strategy from emergency aid towards sustainable development of the rural economy and provided a USD 14 million loan to finance the Livestock and Rural Finance Development Project. The project seeks to

develop a replicable model of sustainable, small-scale commercial livestock production that demonstrates the income-earning potential of the livestock sector, contribute to the economic revival of the rural areas and thus help reduce rural urban migration. To achieve these objectives, the project supports initiatives in livestock and enterprise development, micro-finance, and rural infrastructure reconstruction. The emphasis is on assisting with the developing small scale commercial livestock production and establishing of market linkages between producers and small dairy processing plants.

In **FYR Macedonia** IFAD continues to focus on the provision of rural financial services. IFAD is currently financing the ongoing Southern and Eastern Regions Rural Rehabilitation Project (SERRP) and the Agricultural Financial Services Project (AFSP) for a cumulative IFAD loan value of approximately USD 16.2 million. IFAD's strategy, as implemented through the two projects, focuses on: (i) providing commercially viable credit to smallholders and SMEs through private financial institutions; (ii) developing agro-processing and marketing activities; and (iii) packaging skills training along with the provision of financing. These interventions are intended to increase agricultural productivity, improve product quality and create employment in rural areas of FYR Macedonia. The production and productivity of beneficiary enterprises is expected to reach quantitative and qualitative levels that will maintain their viability in the country's emerging domestic markets and enhance the likelihood of their being able to access regional and other European export markets.

In **Romania**, IFAD is financing the ongoing Apuseni Development Project (1999) with an IFAD loan of USD 16.5 million, co-financed with GTZ (USD 2.5 million grant). This ongoing rural financial services project seeks to support government policies encouraging the development of market-oriented, small commercial farming enterprises and cottage industries in disadvantaged rural areas through the provision of targeted capacity building and credit services. This, in turn, contributes to the overall goal of improving and stabilising the economic environment of the rural communities in the Apuseni Mountains, thereby enhancing the quality of life of project beneficiaries, linking beneficiaries to the formal financial sector, and assisting Government in managing development in disadvantaged areas.