Albania: Agricultural Policy Development and Assessment

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Abstract

In the aftermath of being granted the status of the candidate country, Albania is making efforts to reach compliance with the EU integration requirements. Agriculture and rural development reform is one of the most important reforms to be carried for maintaining competitiveness while the country opens gradually to the EU and the rest of Western Balkans. A change is being witnessed in terms of budgetary support where overall funding has increased and the structural and rural development measures (second pillar) have expanded. Despite the expansion, no funds are oriented to support rural economy and population, improvement of the environment and the countryside. Moreover administrative capacity and legislation is still not developed at the extent to enable for decoupled payments. Further approximation of national legislation and policy instruments to the EU acquis and further development of the institutions for its enforcement is therefore the main challenge for the remaining period until 2020.
1. Introduction and approach

Albania, as a candidate country for EU membership, is struggling to fulfil its long-term strategic objectives and align with the requirements derived from Europe 2020 strategy. Since 2014, the year in which the candidate status was awarded, Government of Albania is making efforts to formulate a compliant agriculture and rural development policy as well as update the legal and institutional base for alignment to Common Agriculture Policy (CAP).

The agriculture policy is of multi-dimensional importance, from meeting the EU standards related to food security and agricultural practices to preparing the agricultural sector to withstand the competitive pressures of the upcoming membership in the single market. That implies that the Albania’s agricultural policy should comply with the EU’s CAP in order to achieve economically viable farming, improved food security and sustainable rural livelihood. As such, this emerging political set-up requires a new vision for policymaking as well as a new approach for designing the budgetary support measures for the agricultural sector.

The purpose of this paper is to present the key trends in agricultural budgetary transfers, discuss their implementation based on programming documents and compare them with the CAP measures in order to assess their compliance with the EU. The main objectives of the paper are to: (i) present the key trends in agricultural budgetary transfers in the country based on Agriculture Policy Measures (APM) methodology, (ii) present and discuss the national direct payments policy, (iii) summarise the new agricultural policy’s strategic and programming documents, with the focus on budgetary planning and policy mechanisms, (iv) assess with the help of APM methodology how are the strategic and programming documents implemented with respect to the short term agricultural policy (in terms of planned changes), and (v) provide policy recommendation derived with focus on the programming documents.

In order to carry a comparative analysis, the Agriculture Policy Measures (APM) tool was used for measurement and classification of agricultural budgetary support. The APM framework assembles a wide number of agriculture and rural development indicators which allows for cross-country analysis of budgetary support to agriculture by using uniform classification template based on the current EU concept of the policy pillars (Rednak et al. 2013). Therefore this tool enables the analysis of three main policy pillars: market and direct producer support measures, structural and rural development measures and general measures related to agriculture.

The data used in this paper are obtained from the Albanian Institute of Statistics (INSTAT) and the Ministry of Agriculture Rural Development and Water Management (MARDWA) including the Paying Agency. The data analysis was carried out in close collaboration with the Department of Agriculture and Rural Policies in MARDWA. The period covered in analysis is from the year 2010 to 2015. The data collection process was followed by a detailed analysis of the validity and harmonization between the different sources. Significant attention was paid also on the plausibility between the stated policy measures and the de-facto implementation in terms of executed budgetary transfers. However, due to a lack of written documents, a one-to-one correspondence of policy measures at disaggregated level was not possible.
A content analysis was carried out based on main documents governing agricultural policy programming and implementation namely Strategy for Development and Integration 2014-2020 (GoA 2013), Government of Albania Program, Inter-sector Strategy for Agriculture and Rural Development (ISARD) 2014-2020 (MARDWA 2014a), Master Action Plan for ISARD 2014-2020 (MARDWA 2014b) as well as updated Action Plan 2016-2018 (MARDWA 2016a). Also reports to Council of Ministers departments for Monitoring of Legislation and Programs (MARDWA 2016b) are scrutinized and compared. More details on this issue will be given on section five of this paper.

The paper is structured in five sections, as follows. The second section provides a comparative review of strategies and programming documents of agricultural policy. The third section provides an overview of the agricultural policy based on a dynamic analysis of the agricultural policy budgetary transfers in terms of amount and structures. The evolution of the direct payments and main constrains with regards to EU alignment will be described in section four. Finally, the fifth chapter scrutinises the main trends and divergences of the support policy with the planned agriculture policy, followed by the main conclusions and recommendations.

2. Strategies and programming documents of agricultural policy

After being granted the status as EU candidate country in June 2014, Albania has made progress in the area of EU approximation. For instance, the crosscutting Inter-sectoral Strategy for Agriculture and Rural Development (ISARD) 2014-2020 (MARDWA 2014a) was adopted. Its main legal framework is the Law on Agriculture and Rural Development adopted in 2007, which regulates the programming of policy measures related to agriculture and rural development.

The ISARD 2014-2020 is reflected in the National Plan for European Integration 2016-2020 (MARDWA 2016a). Also, an ISARD National Action Plan 2014-2020 and an update for 2016-2018 are being prepared. The medium term action plan is detailed in a yearly action plans. MARDWA yearly action plans are reported to the Council of Ministers - Department for Monitoring of Legislation and Programmes. Each yearly MARDWA action plan is recorded, coded, assigned to a responsible body and aligned to a determined paragraph that is previously stated in National Plan for European Integration 2016-2020.

ISARD 2014-2020 also provides the legal basis for the national support schemes, which are set out in the annual action plans. National support schemes are determined by an annual budgeting program and enforced by the decisions of the Council of Ministers.

The first step of ISARD, which consists of starting the IPARD II Programme, is progressing. The IPARD II Programme has been adopted by the Government of Albania (GoA) and approved by the European Commission (EC) in July 2015 and ratified by the Albanian Parliament in March 2016. At this stage, the IPARD Operating structure (Managing Authority) and the Agricultural and Rural Development Agency (ARDA; the Paying Agency) is subject to accreditation process. It is expected that the IPARD programme implementation will start in the first half of 2017.

Other activities stated by ISARD 2014-2020 (MARDWA, 2016a) are under continuous review in terms of implementation. Some of the measures are partly accomplished and left for implementation during the period 2016-2018 and other measures are planned to be applied
after 2018 as conditions would be fulfilled as stated by the action plan in the period 2016-2018. These measures are strongly linked with the application of various support activities, and hence will be mentioned more in detail in section five of this paper.

3. Agricultural policy development in the country

During the period 2010-2015 (Figure 1), the budgetary support to agriculture has been oscillating, but with an increasing trend. In 2015, the overall budgetary support amounted to EUR 35 million up from EUR 19 million in 2010.

Figure 1. Break down of budgetary expenditure for agro-food sector and rural areas (Mill EUR), 2010-2015

The budgetary support to agriculture in Albania is modest when compared to the agriculture sector’s size, needs and contribution to the national economy as well as the support given in other Western Balkan countries and the EU for this sector (Volk et al. (eds) 2014). Although the budgetary support for the year 2015 was higher than in previous years, still its share was only 1.7% of agriculture gross value added (GVA, Table 1). This figure is low considering the contribution of the agriculture to overall GVA which is anchoring around 20% (21.7% in 2015; Agricultural statistics database - Albania 2016).

Table 1: The relative level of budgetary support to agriculture in Albania, 2010-2015

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgetary support to agriculture (EUR million)</td>
<td>19</td>
<td>27</td>
<td>24</td>
<td>20</td>
<td>28</td>
<td>35</td>
</tr>
<tr>
<td>GVA in agriculture (EUR million)</td>
<td>1,535</td>
<td>1,612</td>
<td>1,765</td>
<td>1,914</td>
<td>2,024</td>
<td>2,052</td>
</tr>
<tr>
<td>Share of support to agriculture in GVA (%)</td>
<td>1.2</td>
<td>1.6</td>
<td>1.3</td>
<td>1.1</td>
<td>1.4</td>
<td>1.7</td>
</tr>
</tbody>
</table>

Source: APM database - Albania 2016; Agricultural statistics database - Albania 2016

The year 2015 was marked not only with an increase in overall budgetary support but also with a change in its composition. The structural and rural development measures (second pillar) have expanded, receiving 61% of the overall support funds (up from 39% in 2014). General
measures related to agriculture (third pillar) maintained the second position receiving 24% (down from 50% in 2014), while direct producer support accounted for 15% of the overall budgetary expenditures (up from 11% in 2014). Direct producer support is gaining importance in Albania in recent years; however, its relative share is still much lower compared to other Western Balkan countries (Volk et al. (eds) 2016). Market support measures are not implemented in Albania.

The entire funding for structural and rural development measures, with the value of EUR 21.3 million in 2015, is oriented to improve the competitiveness of the agro-food sector (Table 2). No funds are intended to support rural economy and population or preserving of environment and ecosystems.1

Among structural and rural development support measures the largest share of funds belongs to financing of drainage, irrigation and other water resource management infrastructure (in 2010-2015, 60% on average).

Table 2: Budgetary support for structural and rural development measures, 2010-2015
(Mill EUR)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>On farm investment support</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Modernisation of agricultural holdings</td>
<td>6.6</td>
<td>4.9</td>
<td>4.8</td>
<td>4.2</td>
<td>1.0</td>
<td>1.1</td>
</tr>
<tr>
<td>Restructuring of permanent crops plantations</td>
<td>5.2</td>
<td>4.2</td>
<td>3.7</td>
<td>2.4</td>
<td>0.7</td>
<td>0.7</td>
</tr>
<tr>
<td>Irrigation systems</td>
<td>1.1</td>
<td>0.3</td>
<td>0.5</td>
<td>0.5</td>
<td>0.3</td>
<td>0.1</td>
</tr>
<tr>
<td>Drainage, irrigation and water management infrastructure</td>
<td>7.6</td>
<td>15.1</td>
<td>11.3</td>
<td>5.2</td>
<td>5.1</td>
<td>14.7</td>
</tr>
<tr>
<td>Food processing, marketing and promotion</td>
<td>0.8</td>
<td>0.4</td>
<td>0.4</td>
<td>0.5</td>
<td>4.6</td>
<td>5.5</td>
</tr>
<tr>
<td>Structural and rural development measures, total</td>
<td><strong>15.0</strong></td>
<td><strong>20.4</strong></td>
<td><strong>16.6</strong></td>
<td><strong>9.9</strong></td>
<td><strong>10.7</strong></td>
<td><strong>21.3</strong></td>
</tr>
<tr>
<td>Source: APM database - Albania 2016</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The on farm investment support has witnessed a decrease that started from 2010 (Table 2). This decreasing trend is caused mainly by the reduction in support to permanent crop plantations (especially olives). Higher importance was given to technology improvement (drop irrigation, wells and biomass heating), plantation of medicinal herbs, expansion of greenhouses, and modernisation of farms (new equipment, buildings and light constructions).

The consolidation of the greenhouse and fruit sector, the achievement of self-sufficiency in main fruits and vegetables and expansion of planted surface in perennial and yearly crops was accompanied with investments which link the primary production with processing and trading segments of the value chains. The food processing industry support started gaining importance especially in 2014 with the introduction of two main measures: the support that covers 50% of the value of investments in storage, postharvest and processing infrastructure, and support covering 70% of interest rates for new investments in agro-food industry sector.

General support measures consist of support to agriculture research and development, advisory and extension services for agriculture, public financing of measures in the field of food safety and food quality (veterinary, phytosanitary measures) and other measures of a general

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1 Measures for restoring, preserving and enhancing ecosystems dependent on agriculture and forestry are planned to be implemented in the period 2018-2020.
character (mostly technical assistance). In 2015, budgeting for general support measures decreased considerably compared with 2014. This reduction was mainly a consequence of reduced international funds relating to food safety and technical assistance (Figure 2).

Figure 2: Break down of general measures related to agriculture (Mill EUR)

![Graph showing break down of general measures related to agriculture](image)

Source: APM database - Albania 2016

The budgetary funds for knowledge generation and its transfer to agricultural producers are rather stable, but in recent years represent only about 20% of total funds for this policy pillar, indicating a low awareness of the importance of knowledge for the development of agriculture.

4. Agricultural direct payments

The direct producer support measures in the country continue to be very modest, representing about 15% of the total budgetary support to agriculture in 2015. However, in recent years this support has been increasing constantly (Table 3).

Table 3: Direct producer support for the period 2010-2015 (Mill EUR)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct payments to producers</td>
<td>0.885</td>
<td>0.418</td>
<td>1.519</td>
<td>1.948</td>
<td>2.247</td>
<td>4.507</td>
</tr>
<tr>
<td>Sheep and goats (per animal)</td>
<td>0.499</td>
<td>0.153</td>
<td>1.089</td>
<td>1.210</td>
<td>1.602</td>
<td>3.409</td>
</tr>
<tr>
<td>Cows’ milk (per dairy cow, per liter of milk)</td>
<td>0.352</td>
<td>0.212</td>
<td>0.271</td>
<td>0.316</td>
<td>0.411</td>
<td>0.367</td>
</tr>
<tr>
<td>Honey (per hive)</td>
<td>-</td>
<td>-</td>
<td>0.089</td>
<td>0.137</td>
<td>0.143</td>
<td>0.414</td>
</tr>
<tr>
<td>Other direct payments</td>
<td>0.034</td>
<td>0.052</td>
<td>0.070</td>
<td>0.285</td>
<td>0.091</td>
<td>0.317</td>
</tr>
<tr>
<td>Variable input subsidies</td>
<td>-</td>
<td>-</td>
<td>0.035</td>
<td>0.100</td>
<td>0.798</td>
<td>0.782</td>
</tr>
<tr>
<td><strong>Direct producer support, total</strong></td>
<td><strong>0.885</strong></td>
<td><strong>0.418</strong></td>
<td><strong>1.554</strong></td>
<td><strong>2.048</strong></td>
<td><strong>3.045</strong></td>
<td><strong>5.289</strong></td>
</tr>
</tbody>
</table>

Source: APM Database – Albania 2016

The major part of direct payments goes for supporting the livestock sector, mainly in the form of headage payments for small ruminants, which on average accounted for more than 60% of total funds for direct payments in 2010-2015 (in 2015 76%). Direct payments are regularly provided also for cows’ milk production and in recent years also to beekeepers. Another
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continual support was given to extra virgin olive oil (payments per litre), but was ceased in 2013.

Other direct payment schemes were implemented only very short time. Support to collection and delivery of the high value fruits in extensive areas (e.g. chestnuts, pomegranates, blueberries) and lately vegetables as well as support for animal breeding (equines, rabbits and pure breed heifers) were lasting no more than 3 years and in some cases support was introduced only for one year (e.g. support for meat and skin delivered to slaughterhouses).

The subsidies for variable inputs are very modest. Weak advocacy of agro processors and input suppliers as well as Albanian policymakers fear for distortions and shortcomings on targeting the through measures for subsidising inputs, might be the main factors for this. There is a slight increase in the recent two years of funding in this group of measures, although it is still a modest one. The enforcement of measures has been characterised by frequent changes along the years due to a “leakage of funds” in the past such as in the case of covering fuel costs for greenhouse industry. This measure was used in the period before 2006 and reappeared after long debates in 2014 and then not used in 2015. Lack of a system for monitoring the separate use of the fuel for agriculture (lack of separate tanks on the farms, system of colouring the fuel, customs control on fuel codes, etc.) has made impossible the longevity of this scheme. The same happened for the support in purchases of plastic sheets for production of vegetables. A support measure for pest protection of olive groves (done through fixed payment per ha) is still existing and increases the overall amount of input related payments.

Decoupled payments do not exist, although they are core concept of CAP 2020. Basic elements such as Farm Register and LPIS system required as a fundamental step for the establishment of IACS (Integrated Administration and Control System) are not ready yet. Therefore decoupled payments will be missing in the near future (optimistic scenario to be implemented in 2020).

The recent two years witnessed an increase in direct payments based on output, a measure initiated to intensify and formalise vertical relations in the value chains. In the past direct payment based on output was used to consolidate the supply for extra virgin olive oil which was exempted in 2013. In 2013-2014 output related payments were being used for supporting the collection and delivery of forestry fruits, while lately a price premium was granted for the milk delivered to dairy industry as well as for fruits and vegetables destined to collection and processing points.

Major agriculture subsectors are characterized by high informality due to weak registration and low fiscal control during the recent two decades. Moreover, vertical coordination is very weak due to low contracting activity and weak cooperation (Imami et al. 2016; Gerdoci et al. 2016).

5. Assessment of implementation of agricultural policy documents

The budgetary support to agriculture and rural development in Albania has been explicitly described in the ISARD 2014-2020. The current policy agenda covering the sector as promised in the government program 2014-2020 is expected to be improved. The government budget for agriculture and rural development (which covers a part of the structural and rural development measures and the entire direct producer support policy pillar) is expected to increase 5-folds in
the period 2014-2020 (GoA 2013). ISARD has determined the overall amount of funds given to support schemes to agriculture and rural development up to year 2020. An expanded role of IPARD Programme II is planned which provides a financial benefit from the EU funds of EUR 71 million till 2020, while the national budget funding will increase from EUR 20 million in 2014 to EUR 23 million in 2020.

In the implementation there are no strong disparities between ISARD planned and realised expenditures in terms of support to agriculture and rural development. The difference averages at not more than 5% during the recent three years. In case there is less demand for a part of the schemes in the first six months of the year, than the funds are allocated to remaining schemes during the second half of the year.

Concerns exist on the gap between the policy formulation and policy implementation especially with regards to national support schemes. Assuring coherence and coordination between ISARD 2014-2020, IPARD II and yearly action plan with the schemes of national support to agriculture and rural development should be a priority for Albanian policymaking and executive institutions. The number of support schemes is still deemed too high (10 measures with 17 sub-measures) despite they are reduced in number. Number of measures is changing frequently, with no solid links to policy vision. Schemes are not always based on in-depth ex-ante evaluation which has led to the one-time/year appearance of some schemes (such as meat or skin delivery to the slaughterhouses). Moreover, some schemes survive for some years and then vanish and are not repeated during the next budgetary program. It seems that also ex-post evaluation in terms of efficiency and impact are rare (so far only one study available, see Skreli et al. 2015). Frequent changes and short term orientation do not provide reliable incentives and orientation to the supported sectors. Thus, agriculture operators may suffer from unstable expectations and inability to read the policy signals of the government. An example of absent signalling is the price shock happening in the recent years due to over production in the medicinal and aromatic plants as well as greenhouse subsectors.

Moreover, there are few schemes deemed to be compatible with CAP. Despite the commitment of MARDWA expressed through the master action plan where one of the objectives is to achieve compatibility between CAP and national scheme of support, there exist various legal weaknesses that hampered the introduction of the CAP-like schemes on time. In order to schematize the analysis, a framework of measures is tabulated below, where in left side of the table the major measures of agriculture and rural development support gaps are ranked and in the right side the institutional and legislative reasons and time targets are provided (Table 4). The targets for achieving the institutional and legislative changes to enable the implementation of the measures are determined based on the activities described in the Master Action Plan 2014-2020 (MARDWA 2014b). The status of achievement is described based on the MARDWA Action plan 2016-2018 (MARDWA, 2016a).
Table 4: Support measures and relation to Master Action Plan activities by status of achievement

<table>
<thead>
<tr>
<th>Support measure</th>
<th>Action plan activities</th>
<th>Time</th>
<th>Status of achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in physical assets of agricultural holdings, processing and marketing of agricultural and fishery products and farm diversification and business development</td>
<td>National scheme and IPARD II</td>
<td>2016</td>
<td>To be implemented under 1st package of the IPARD measures, 2017</td>
</tr>
<tr>
<td>Schemes complementing IPARD II measures for small farmers producing for the market</td>
<td>Carried out with donor’s support (GIZ-DANIDA; EUR 13.1 million of which EUR 6.5 for investment grants).</td>
<td>2014</td>
<td>Achieved</td>
</tr>
<tr>
<td>Agro-environment and organic farming schemes</td>
<td>Organic farming and quality policy to be designed.</td>
<td>2016</td>
<td>Not achieved yet, although some preparations are done by FAO projects</td>
</tr>
<tr>
<td>Quality policy support scheme for agricultural products and foodstuff</td>
<td>Quality policy legislation and enforcement and implementing structures for the alignment of the legislation with Acquis and its enforcement</td>
<td>2016</td>
<td>Not achieved yet</td>
</tr>
<tr>
<td>Supporting the cooperation of farmers and associations</td>
<td>Establishment of producer groups and associations of agriculture cooperation</td>
<td>2016</td>
<td>Not achieved yet and not included in IPARD II programme as previously planned</td>
</tr>
<tr>
<td>Establishment and protection of forests</td>
<td>Restoring, preserving and enhancing ecosystems dependent on agriculture and forestry.</td>
<td>2017</td>
<td>Not achieved yet and not included in IPARD II programme as previously planned</td>
</tr>
<tr>
<td>Preparation and implementation of local rural development strategies - Leader approach.</td>
<td></td>
<td>2017</td>
<td>Not achieved yet</td>
</tr>
<tr>
<td>Public investments in rural areas development and infrastructures</td>
<td>MARDWA investments carried in water and drainage.</td>
<td>2017</td>
<td>Still ongoing since Regional Development Fund allocates competing grants for municipalities</td>
</tr>
<tr>
<td>Improve training and strengthen capacities of advisory services</td>
<td>Being carried through capacity building projects (donor support)</td>
<td>2017</td>
<td>Territorial development strategy and institutional changes are still to be considered</td>
</tr>
<tr>
<td>Review/amend Law for Agriculture and Rural development to provide for compulsory registration of farmers to be eligible for support</td>
<td>Registration of farmers in the farm register and other relevant registers (animal register, LPIS, etc.)</td>
<td>2016</td>
<td>Not achieved yet, which is hampering area based support measures</td>
</tr>
<tr>
<td>Develop measures for access to credit</td>
<td>Support for the establishment of the Rural Credit Guarantee Fund under the IPA 2012 Project.</td>
<td>2016</td>
<td>Achieved (to be activated within 2016)</td>
</tr>
<tr>
<td>Actions to support transfer of land and land consolidation</td>
<td>Legislation and pilot project prepared by FAO</td>
<td>2016</td>
<td>Not achieved yet</td>
</tr>
</tbody>
</table>

Source: Own elaborations based on Master Action Plan 2014-2020 (MARDWA 2014b)

Summarising Table 4, it is clear that the policy has been successful to prepare the implementation of IPARD II which will enable investments in physical assets of agricultural holdings, processing and marketing of agricultural and fishery products and farm diversification and business development. These measures accompanied by technical assistance are designed and ready to be implemented after accreditation of the implementing structure. However except this part of first package other activities planned are still not solved. For instance, issues such as strengthening of collective actions among farmers and other stakeholders, achieving land consolidation, supporting quality schemes for agriculture products, enhancing agro-environment-climate measures and supporting organic farming are not yet accomplished.
Preparation of the legal bases (e.g. law on organic farming, common market organisations’ legal base, law on cooperatives, land consolidation strategy and law, etc.) is taking time and MARDWA is making additional efforts to achieve it by coordinating the on-going capacity building projects and in-house staff actions.

A second group of measures is related to support of advisory services, preparation and implementation of local rural development strategies under Leader approach which is undergoing subsequent changes due to the new territorial reform. Territorial restructuring is accompanied with a vast number of changes halting the reforms on veterinary service, advisory services, water and irrigation management as well as land and forestry management.

6. Conclusions and policy recommendations

In the aftermath of being granted the status of the candidate country, Albania is urging for a quick orientation to comply with the EU integration requirements. Agriculture and rural development reform is one of the most important reforms to be carried for maintaining competitiveness while the country opens gradually to the EU and the rest of Western Balkans. In order to align with CAP 2020 requirements the country has designed a compatible Inter-sectoral Strategy on Agriculture and Rural Development (ISARD 2014-2020), which is interlinked with the country integration strategy 2014-2020 and is guided by master action plan and monitored by an inter-ministerial entity for its implementation and other budgetary concerns. However, despite the agriculture policy properly addresses the agriculture and rural development challenges its implementation is still lagging behind the schedule.

Overall funding for agriculture and rural development has increased but is still far from what government has targeted for 2020. Government have reduced the targets due to the recent recession. Political targets in various documents do not match (Government Program 2013-2017 and ISARD 2014-2020). MARDWA is expecting to reduce the national support to agriculture and rural development and give more space to IPARD funds which will be focused on competitiveness and also diversification. A clearer policy signalling should be provided by MARDWA and stronger links between ISARD 2014-2020 and MARDWA budget should be established for achieving the targets as stated in the Master Action Plan 2016-2018.

A change in structure is being witnessed in terms of funding; the structural and rural development measures (second pillar) have expanded, gaining 60% of the overall support funds. This policy does properly met with the structural needs of the agriculture sector. It supports the restructuring and increase of competitiveness of the farms, reduces their structural vulnerability and promotes the vertical and horizontal farm integration by supporting the investments in postharvest and processing.

Despite the expansion of this pillar, again no funds are oriented to the support of rural economy and population and forestry. The structural support provided to rural development in Albania is focused on the improvement of the competitiveness of agricultural sector. Direct support measures are also increasing with the majority of funding going to livestock sector.

Other measures such as support of cooperation, land consolidation, strengthen of advisory services and schemes of quality support are also not developed. IPARD II, although aims to bring
further assistance to farmers, is partially covering the various measures that ISARD 2014-2020 has planned. Absorption of existing funds is hampered by the lack of non-financial support schemes and other nonstandard financial products (such as guarantee schemes). The cooperation with other donor projects such as EBRD and World Bank is expected to develop these instruments and increase access to finance for agriculture operators.

The introduction of decoupled payments is still not possible due to legal and institutional bottlenecks. The administrative capacity and instruments for governing per animal and per area payments (IACS, LIPS, registers, etc.) are still undeveloped, impeding the introduction of CAP-like schemes in the future. Moreover, gaps remains in the agriculture information system for farmers, such as Market Information Systems, as well as other monitoring tools such as Farm Accountancy Data Network, which are emerging due to the slow progress in establishing systematic farm surveys and endorsement of the Census of Agriculture 2012 results (MARDWA 2016c).

The country has to address also investments in transport, storage, and provision of energy and establishment of market and community infrastructure in rural areas. These measures are also depended on the territorial reform and consolidation of local government financing in the near future.

Major bottlenecks remain on institutional and legal approximation regarding organic farming, cooperation, forestry protection, quality and market organisation, land consolidation and development of agriculture services. Other country reforms, such as forests reforms and territorial reforms as well as the existing institutional fragmentation have delayed the process of resolving these bottlenecks.

An approximation of national legislation and policy instruments to the EU Acquis and further development of the institutions for its enforcement is therefore the main challenge for the remaining period 2016-2020, in order to become ready for EU accession as soon as possible. Moreover the institutional coordination should be fine-tuned so that MARDWA can exploit the reforms being carried out in other sectors. In order to facilitate these changes, the Master Action Plan 2016-2018 should be carefully revised and new annual plans should be designed for the remaining period covered by ISARD (2017-2020). Donor coordination is very much required in order to keep the momentum for speeding up the necessary institutional reforms required by ISARD.

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