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ANRD

ALBANIAN NETWORK FOR RURAL DEVELOPMENT
RRJETI SHQIPTAR PËR ZHVILLIMIN RURAL

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Executive Summary

Agriculture and rural development are of economic and demographic importance to Albania. Given its high relevance –the highest among Southeastern European (SEE) and EU countries– this sector has failed to become top priority in the national policy agenda. Regardless of the dynamics in recent years, the national policies on agricultural and rural development have not introduced effective instruments that reflect and address development issues and challenges confronting the rural communities. These policies are characterized by instability, unspecified impact of efficiency due to lack of research and relatively low budgetary support – indeed, the lowest in the region.

The sector’s reformation processes face significant shortages of administrative and institutional capacities. They should steer towards European integration principles and call for high responsibility of public institutions in this slow transformation process. The national policies reveal serious deficiencies of compliance with EU’s Common Agriculture Policy, and its principles, including nondiscrimination, fairness, and equality are not incorporated in instruments of the public support for the sector.

Agricultural and rural development policies and instruments are not effective to address challenges confronting rural areas. Some of the causes include non-inclusive policy design, lack of evidence base, hostage to political agendas, and failure to serve a long-term vision of the sector. While very active over the last few years, these policies are disconnected from farmers’ real needs and interests, leading to short-lived results in the economy and quality of life in rural areas.

The Albanian Network for Rural Development seeks to contribute to the development of rural communities by taking up an active role in the processes and reforms of the rural development sector. The efforts to date have reflected the willingness to support and contribute to the successful implementation of rural development policies and instruments. To this end, ANRD has promoted building an active, inclusive and two-way rural development in the country. In pursuance of this commitment, ANRD has prepared this **Position Paper on Governance of Agriculture and Rural Development** with feedback solicited from a nationwide consultation endeavor.

This Position Paper seeks to address major issues and deficiencies of the national policy framework of agriculture and rural development and provide recommendations to overcome barriers that hamper support instruments of the sector from being effective in producing tangible and sustainable results. To this end, this position paper brings forth a critical perspective to sector governance with the aim of improving approaches and methodology for the design, review, and implementation of national policies on agricultural and rural development in the CAP spirit. In this regard, the consultation process ran on principles of EU rural development policy instrument - Community-Led Local Development

(CLLD) – as a new form of rural area development and participatory democracy.

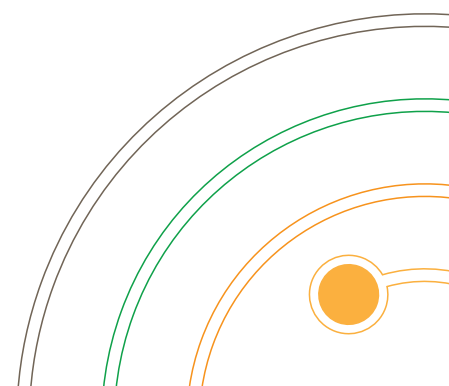
This consultation process was triggered from concerns of small-scale farmers and rural entrepreneurs regarding the many challenges they encounter to secure complementary public help and support for their economic activities. Eight consultation meetings conducted with regional forums of Drin, Arber, Egnatia, and Vjosa during November 2018 brought together some 250 people that represented farmers, civil society organizations, local authorities, including municipalities, regional councils, and agriculture departments, universities, and entrepreneurs of agri-tourism, agriculture, medicinal plants, livestock, apiculture, etc.

This consultation process and the Position Paper represent an effort that seek to assist:

Local stakeholders in articulating their needs, interests, and priorities on the development of rural communities and in advocating for agriculture and rural development policies closely linked with them;

The Ministry of Agriculture and Rural Development in developing policies and instruments of support for agriculture and rural development that reflect rural communities' interests and priorities drawn from extensive consultations with interest groups;

Other sector-specific national and international agencies in enhancing effectiveness of their contribution and impact of their programs on agriculture and rural development.



Albania's Sector Context on a Comparative Perspective with EU and Western Balkan Countries



Irrespective of significant potential of agriculture and rural areas in Albania, the sector features both many challenges and opportunities for its further development as they are closely linked with the country's integration process. Development of agriculture and rural economy has been an important policy issue of recent years. Promotion of innovations in national support scheme and of development models through the 100-Village Program injected some optimism among the general public and rural communities in particular. In addition, the IPARD II Program announced its first call for projects.

Albania's rural areas have, over the last decades, gone through severe problems, including substantial depopulation, inadequate public services, low access to public services and markets, deficient public infrastructure, etc. While positive models exist in rural development of family-run entrepreneurs, migration from rural to urban areas is still a reality; emigration is an unavoidable way out - not a choice for the population; agriculture represents an unattractive sector, while the administrative-territorial reform has generated new challenges to the population. Many rural areas are involved in an irreversible process that is reducing them to purely geographic notions.

Agriculture and rural development are important for both economy and demography of Albania. In 2017, the percentage of gross value added (GVA) generated from the sectors of agriculture, forestry, hunting and fishery was 22.1%¹; employment rate in the sector in ratio to total employment is 38.2%² and 40.7% of the population live in rural areas³. The last two indicators - employment and population have experienced gradual decrease over years. For instance, the average employment rate during 2005-2007 was 57.9%. These indicators confirm the relevance of the sector to the national economy.

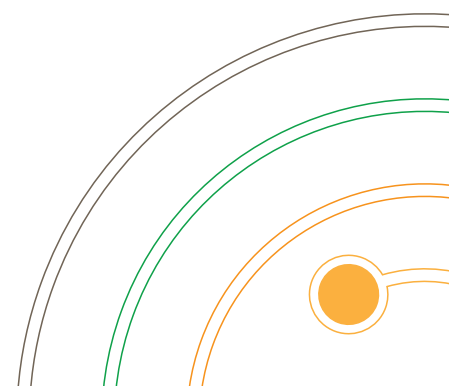
The sector relevance in Albania reaches highest indicators compared not only with SEE countries but also with EU member states (27 countries). In 2012, the national gross value added of the agriculture, forestry, hunting and fishery sector for Albania was the highest (21.3%) as compared with the mean of EU countries (1.7%) and SEE countries (5%-14%).⁴ The same findings apply for employment in agriculture, forestry, hunting and fishery sector which reached a rate of 55% in Albania. This is the highest indicator compared with SEE countries (17-24%) and significantly higher than the average of EU countries (5%).⁵

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- 1 Agriculture and agricultural policy database (2017). Accessed in <http://app.seerural.org/agricultural-statistics/> (December 2018)
 - 2 Ibid.
 - 3 <http://www.fao.org/faostat/en/#country/3>
 - 4 Volk, T., Erjavec, E., Mortensen, K. (2014) Agricultural Policy and European Integration in southeastern Europe. Food and Agriculture Organization of the United Nations
 - 5 Ibid
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Nonetheless, agriculture and rural development policies never managed to be top priorities for Albania regardless of the sector's considerable contribution to the country's economy. Albania marks the lowest value of budgetary support for agriculture and rural development compared to SEE and EU- 27 countries. Budgetary support over the last decade amounted to approximately EUR 25 million or about 1.4 of the sector's GVA⁶. Budgetary support per hectare of utilized agricultural area (UAA) for the same period is EUR 25 in Albania, while this figure varied from the lowest EUR 60 in Bosnia and Herzegovina to EUR 150 in the FYR of Macedonia⁷. These values are a clear reflection of the very low budget support to agriculture and rural development considering the great importance of the sector to the country's economy. A comparative perspective with the SEE and EU countries convincingly confirm the insignificant budgetary support suggesting the limited potential to address critical issues of the sector and make agriculture an attractive sector for the population.

6 Zhllima, E., Albanian Agricultural Policy Development and Compliance with EU Common Agriculture Policy, at Rama, K., Zhllima, E., Imami, D, 2018, Albania's Challenges of Implementation of Agri-Environmental Policies in the Framework of EU Accession, a publication of EU Policy Hub

7 Ibid.



Governance of Agriculture and Rural Development in Albania – Voices from Forums of Arber, Drin, Egnatia, and Vjosa

What is the perspective of farmers and small-scale rural entrepreneurs vis-à-vis the national support scheme for support to the agriculture and rural development? What about regarding 100-Village Program, IPARD II? What are the issues that call for attention to more effective policies and tools? What are the experiences, perceptions, and lessons learned?

The budgetary support for agriculture and rural development represents a major support instrument for farmers and rural entrepreneurs. Given this situation, evidence shows that **the level of budgetary support is very low**, irrespective of the slightly increasing trends – albeit, unsteady over the years. Direct payments to farmers are minimal and do not impact the increase of productivity and competitiveness. Budgetary support for agriculture, specifically direct producer support measures, is insignificant for a sector that is of substantial importance to the national economy.

Policies on agriculture and rural development are characterized by great fluctuations of both the budgetary support structure and the number of measures, content, and criteria. A limited number of direct support schemes have been implemented over the years with some of them being implemented for one or two years only.⁸ The agriculture and rural development national scheme of 2018 proposed 52 support measures compared to 17 in 2017⁹. This instability leads to misuse of administrative resources, lack of orientation of and insecurity for farmers and rural entrepreneurs, resulting to investments that do not serve the long-term vision of sector development.

The sector policies are not based on a development rationale so as to contribute to the country's cohesive development, i.e., to reduce territorial development disparities. Sector support instruments are not adapted to various rural specifics and territories; thus, they cannot address development issues. No specific measures are drawn for specific territories. A certain number of farmers from specific areas have, over years, received continuous budgetary support; beneficiary farmers from other areas of the country are not part of this support scheme. Despite the creation of “development isles”, development and implementation of public policies should witness reallocation of cohesive development.

National policies on agriculture and rural development are not yet addressing the issues of high arable land fragmentation and domination of small farms. Consequently, most farmers find themselves excluded from support schemes. Direct payment criteria do not conform with the Common Agriculture Policy (CAP) spirit; they do not address

8 Zhllima, E., and Gjeci, at Volk, T., Rednak, M., Erjavec, E., Zhllima, E., Gjeci, G., Bajramovic, S., & Gjokaj, E. (2017). Monitoring of Agricultural Policy Developments in the Western Balkan Countries (No. JRC105784). European Commission. Joint Research Centre.

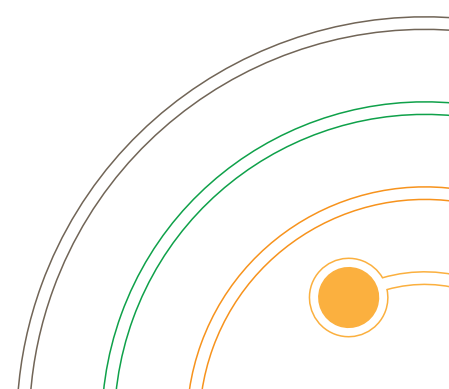
9 Agency of Rural Development and Agriculture. National support scheme accessed in <http://azhbr.gov.al/financim/skemat-kombetare/>

the restrictions confronting small-scale farmers; thus, they treat them unequally. Exclusion from direct payments while no alternative support is provided is highly upsetting. The CAP spirit highlights that all farmers are treated equally by enforcing the principle of equal competitive terms. While large-scale farmers' contribution to the country's economy and achievement of standards is appreciated, it is critical to establish support schemes for small-scale farmers. The support for agriculture should be allocated equally and fairly.

Rural mountainous and remote areas are not a target of specific measures of budgetary support. The Mountain Areas Development Agency that specifically focused in the development of these areas was shut down in the last few years. Recalling the fact that mountainous areas have high poverty rate compared with coastal and central areas of the country, they should become the focus of sector policies, which should provide support to the residents of these areas to stay and keep their entrepreneurships and economic commitments running. The financial support to the least favored areas in EU represents an important measure. Amid preparations of our country for EU integration, mountainous areas should be re-brought to the core of agriculture and rural development policies.

In addition, budgetary support has been oriented to typical agricultural measures and **has noticeably lacked measures on development of economy and rural life.** Lack of policies on rural development marks one of the deficiencies of compliance with CAP. Rural development policies are ambiguous irrespective of undertaking various programs, such as the 100-Village Program. The LEADER approach implementation is not part of the budgetary support, considering that any deadline set forth in the Crosscutting (Intersectoral) Strategy on Agriculture and Rural Development 2014-2020 for its implementation has already expired. In this regard, Albania lags behind the regional countries in terms of promoting this approach as a CAP instrument for the integrated development of rural communities. These missing efforts would render absorption of IPARD II funds on LEADER approach measures easier. Also, rural area would be introduced to a philosophy of sustainable development that encompasses the potential to address issues neglected or unsolved by public policies for many years.

Rightfully launched as a big window of funding for agriculture and rural development, **IPARD II Program is little likely to become a successful entrepreneurship.** This statement is based on local stakeholders' legitimate concerns relative to, among others, problems of land ownership, lack of capacities to design successful projects, unmeetable criteria for most farmers, lack of trust and confidence in institutions, etc. In addition, information on IPARD II is almost totally missing for most farmers and other local stakeholders. An information tour by the time the first call for projects is launched seems to be an insufficient endeavor. Central government institution, such as the Ministry of Agriculture and Rural Development and the Agricultural and Rural Development Agency (ARDA) have demonstrated weaknesses and failed to timely address deficient local capacities, thus leading to dependency on the central government for short-lived solutions. While IPARD II calls are based on



construction and reconstruction, a majority of rural communities see themselves excluded because of lack of land property titles. A successful IPARD II will have to rely on proactive policies regarding land ownership to allow for farmers and potential entrepreneurs to develop their land, to build, rebuild and expand their farms, etc.

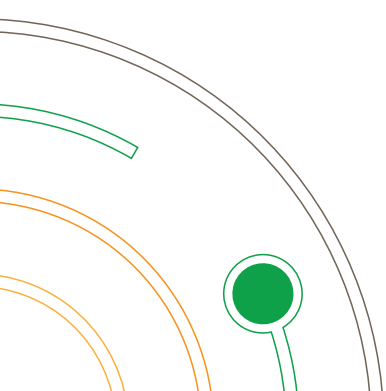
Lack of a solid system of consultation between policymakers and various interest groups was unanimously identified in all four regional forums. Seemingly an easy process, knowing and understanding the interests, problems, and priorities of rural communities result to be challenging and unattainable to decision makers. Good knowledge of problems and needs of rural areas would help to select and utilize effective instruments and measures.

Agriculture and rural development policies have been unable to empower the principle of subsidy – **strengthening the role of municipalities as the governance closest to citizens, with hand-on knowledge of local problems and territory potentials and to harmonize national policies with local development priorities.** Development and implementation of national support schemes, IPARD II, 100-Village Program, and any other initiative bear the potential to maximize and be efficient conditional upon the close cooperation with local governance. The municipalities' active role in the process of design, implementation, and decision-making of agriculture policies is a must as much as the need to strengthen the technical capacities of local staff.

An institutional need and a critical dimension in the interaction and building and maintaining the trust and confidence of farmers and stakeholders in public institutions, transparency was the key concern in all four forums. Lack of information on beneficiaries of support schemes, amount of benefits, rationale for eligibility or ineligibility, or erroneous information on status of application coupled with too many red tape procedures have caused disappointment and dwindled the trust of farmers and entrepreneurs in the responsible public institutions. Huge delays of payments, reduction of beneficiary amounts, and refusal to pay eligible farmers on unmotivated justifications have weakened farmers' trust not only in national scheme, but also in IPARD II. To farmers, implementing institutions remain the same regardless of financial sources.

Indispensable in the EU integration process, the reforms in the agriculture policies necessitate **strengthening of administrative and institutional capacities to successfully implement agricultural policies that are compliant with CAP.** Lack of land parcel identification system (LPIS), integrated administration and control system (IACS) and farm accountancy data network remain the main deficiencies in this respect.¹⁰

¹⁰ EC (2018) Albania 2018 Report. (Strasbourg, 17.4.2018) <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180417-albania-report.pdf>

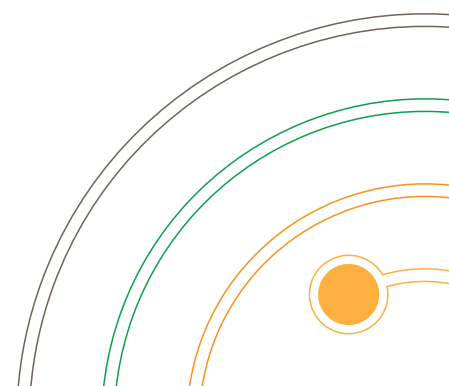


These systems would render the use of support funds more effective.

While it initially sparked trust among stakeholders regarding the potentials of agricultural and rural development, **the 100-Village Program** failed to mobilize human resources and animate stakeholders (local governance, civil society, businesses, etc.) that would augment local ownership and would accelerate the pace to sustainable development of rural areas.

The consultation process enabled the solicitation of many other rightful and legitimate issues, consideration of which by decisionmakers would lead to more effective policies for farmers and entrepreneurs. It is critical to facilitate farmers' access to support schemes. In case not all farmers are beneficiaries, access to information and application process must be provided to each and every one of them. Provision of timely, complete, comprehensible, and clear information, provision of assistance to obtain documents, facilitation of application process, reduction of bureaucracy, etc. would be more than helpful in this regard.

In addition, an open and time-relaxed application process would help to increase the number of farmers applying to and benefiting from national support schemes. The coherence between the two cycles – cycle of schemes with agricultural and livestock activity, particularly for those measures linked with the support to production– would match the support measures based on research and extensive consultation with interest groups and would help to assess their efficiency. Research should include issues of input price and cost as a method to determine encouraging levels of financial benefits based on real market price, etc.





Recommendations

The following recommendations relate to our vision of reversing the process that's turning our many villages from local realities to simply geographic notions. Deceleration of these processes will have to be short-term priority objective for the governance of agriculture and rural development.

- 1** **Sector development policies should be long-term**, address the development challenges of agriculture and rural development and reflect the priorities and interests of farmers and entrepreneurs by moving away from the agenda and political pragmatism. Policies and instruments need to be sustainable, with greater budget support and easily accessible by most farmers.
- 2** Political engagement to integrate into the EU needs to be reflected in **the implementation of agricultural policy reforms in line with CAP**. Building administrative and institutional capacities as well as solving land ownership problems requires special attention to make funds for pre-accession assistance effective.
- 3** Reducing the distance between the government and communities **through participatory, transparent decision-making processes is critical to boost public policy effectiveness and confidence in public institutions**. Public information and transparency should be the foundation of any public support and incentive for the sector. The Drini, Arbëri, Egnatias and Vjosa forums come to the aid of such processes.
- 4** **Small farmers should be at the center of the sector's policies and supporting instruments** that they treat equally and fairly with others. Measures for food chains can be promoted to small farms.
- 5** **Policies should contribute to reducing inequalities in development** to ensure socio- economic cohesion. Underdeveloped areas should be targeted by sector policies with effective concrete support instruments.
- 6** Finally, as part of the ongoing advocacy efforts of ANRD, we recall the necessity of **implementing the LEADER / CLLD approach** not only as an obligation under IPARD II, but above all as an investment for a sustainable development of the country and strengthening local democracy. The implementation of the LEADER approach is a long-term process, and the MARD as the main institution should enable the launch of a national animation process.¹¹ The adoption of the regulatory framework for the functioning of Local Action Groups (LAGs) should be finalized.

11 Hroni, S., Azizaj, E. (2018) The Leader Approach and the 100-Village Program – A Complementary and Synergetic Approach to Integrated Development of Rural Areas. Albanian Network for Rural Development.