

SUPPORT TO THE ALBANIAN AGRICULTURE: THE NECESSITY TO INCREASE PRODUCTION ON ALBANIAN FARMS

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Abstract

Agriculture is one of the fundamental sectors of the Albanian economy, accounting for 21.5% of GDP. Rural families still dominate the overall structure of population with over 50% of the population living in rural areas; hence agriculture constitutes the main alternative of keeping people employed in rural areas. Agriculture is dominated by small-sized farms with an area of approximately 1.13 hectares and fragmented ones with an average of 3.9 plots to each given farm. Agriculture, being characterized by many small-sized farms, is still very much oriented towards meeting the subsistence needs of individual household farmers. Agriculture and agro-industry, though they are considered to be important branches enjoying great potential, fall short of attracting private investment on a large scale. Financial support for farmers and agriculture is provided by a number of agencies and rural financial institutions. Rural financing in Albania, particularly in support to farmers, might be seen through the contributions of certain stakeholders, projects or other agencies: The Fund for Financing Mountainous Areas, Programme for Development of Mountainous Areas, 2KR Project, Agricultural Services Project, the project 'Support for Agricultural Production (FAO), Union of Savings and Credit Societies (USCS), a number of independent projects of various international associations, the banking system and farmers. Their cumulative support has been substantial, however insufficient. They have supported individual farmers, farmers' associations, various agro-businesses with grants, loans, and loans for technology, seeds and seedlings, breed, marketing, knowledge and technical assistance. In this context, the projects financed by various donors have had a significant impact on different aspects of the agricultural development. The level of efficiency of the implementation of these projects and the degree of their impact on the community has not been analyzed, nor has it been disclosed (2KR project was analyzed by us). This stands as the main argument in this paper that encouraged us to undertake such an analysis about the project evaluation (2KR).

Keywords: Agriculture, rural financing, project 2KR, financing.

1. INTRODUCTION

The Albanian agriculture supports roughly 50% of the population which lives in rural areas. Its structure has changed constantly over the past years. The agricultural sector recorded a real growth in agriculture in the last five years at around 3% -3.5% per year. The solution prescribed to short-term problems (*related to farm inputs*) and long-term ones (*related to agricultural credit and land market*), will contribute to the increase of revenues, to the boosting of production and productivity level, etc. The ratio of agricultural exports to imports stands at 1:9 which should be linked to several factors such as the low level of production that comes from agriculture, the low level of competitiveness for the Albanian agricultural products (*low quality and high cost of production*) low-level marketing and other problems which are closely related to hygienic-sanitary measures. Agricultural sector remains under the threat of a small-sized area of farmland (1.2 to 1.5 ha / farm), which is very fragmented (4-6 parcels that are 1-3 km away from one another) and lack of financial resources continues to keep the subsistence factor at high levels on the Albanian farm. About 70-75% of production yielded by the

farms (it depends on family size and land area per capita) is used by the family itself. Speaking in real value terms, only a meager amount of 20-25% of production is intended for sale (*farms located in mountainous areas or in remote areas have not been able to sell anything*). Most products sold consist of livestock products (*dairy and meat related ones*) fresh or semi-processed within the family. In recent years a number of changes have taken place in the Albanian economy particularly in rural areas in the respect of the implementation of many institutional and structural reforms, reforms which have aimed at creating the right conditions for improving the financial situation of families, the national food security and alleviation of poverty particularly in rural areas where it is still at high levels. This is coupled with a special attention being devoted by the Albanian Government and donors to the agricultural sector because this sector is very important in the Albanian economy. It is admitted that the total number of farms in Albania comes to 410,000 farms. The average farm size (*from a little more than a hectare*), is small enough to provide sufficient income for the farmer and his family. Albanian agriculture should integrate with regional economies as well as with international ones in order to not only cater to the domestic

consumer, but to strive towards producing specialized products that have an advantage over those produced by other countries. It should be able to reach out to the most immediate markets. In recent years it has been argued that agriculture and agro-industry are characterized by several strong points which have been converted into the base that will get direct or indirect support from the government. As a strong point of the agricultural sector one can emphasize the complete transformation of the private sector which has created conditions for a future perspective and the support from various donors and financial institutions. The advantages have been given by the geographical location as well as climate which have favored a range of products. Besides, experience in the agricultural sector is based on its development as well as on the increase of its competitive level. While as vulnerable points of the agricultural sector are included: the small-sized farms and their high number, the diversification of farm production and the low level of financial support from the state. Albania has the lowest level of agricultural land area per capita in Europe against the total number of residents. The agricultural sector has received indirect support such as the plentiful governmental programs for development of rural roads, the rehabilitation of irrigation channels, the creation of wholesale markets etc. The Albanian Agriculture can also benefit from the IPA (*Instrument for Pre-Accession*) in the context of EU integration. In order to achieve a rapid development of agriculture it is essential to have a direct support of the agricultural sector. Also, projects financed by various donors have had a significant impact on the development of various aspects of agriculture and rural area in their full sense. The experience thus far has shown that the level of efficiency of the implementation of these projects and the degree of their impact on the community has not been disclosed. This has been precisely the main argument that has encouraged us to take this analysis about the project evaluation.

2. MATERIAL AND METHOD

The agro-food policy experts constantly ask the question: Who will "feed" the Albanian population, is it the local agriculture or the global market? In Albania there should be implemented policies of "food autonomy," which consist in the domestic production of basic foods, or there should be in place policies of "food safety" whose objective is to provide the population with incomes that would be

enough for purchasing basic food through imports in the world market. The debate around this issue appears to favor the first option as the most dominant. That is included under the logic concerned with the right and obligation of nations to provide their own meals. In the context of a global economy "liberalized" the objective of "food safety" should be a priority and should take the place of the supposedly "domestic food production." The figures that reflect the essence of Albanian agriculture are more "problematic": over 50% of the population is rural, 21.5% of GDP is derived from agriculture, 60% of the population is employed in the agricultural sector, etc., while other figures make up the picture: USD 400 million worth of natural agro-food imports, 72% of the incomes of Albanian families are spent on food, a poor nutritional and unilateral structure and over 50% of family farms operate under the closed cycle and have no contact with the market. The methodology followed in this paper is based on the analysis of project support in the agricultural sector (2KR). A qualitative analysis has been conducted through interviews with farmers who have benefited from this project support. The goal is to verify and integrate the information obtained by the official data and to determine the level of efficiency of the implementation of this project and the extent of its impact on rural community that are involved in this project.

3. RESULTS AND DISCUSSIONS

The project was started in 2007 and continued its operation until 2009. The objectives of the project are the following:

1. Boosting production in various sectors such as fruit-trees, vineyards and olive groves;
2. Enhancing the competitiveness of Albanian products in the regional and European markets;
3. Increasing the income/welfare level of families dealing in farms. A total of 7599 farmers have been financed through all of the support schemes. The loan expressed in leks has been in the tune of 854 623 148 leks or over 99% of the initially allocated funding.

3.1. As for the scheme of new planting in fruit-growing orchards, vineyards and olive groves:

As many as 2580 projects have been funded covering an area of 1772 hectares. The fund employed was roughly 580 million or 99.88% of the fund used and distributed as scheduled below: Planting of fruit trees in an area of 805 hectares or

at 45% of the area. Olive groves cover an area of 705 hectares or at over 40% of the area. Vineyards cover an area of 246 hectares or occupy 14% of the area and citrus trees cover about 14 hectares or 1% of the total area. In arboriculture, the dominant cultures in terms of the new planting are plums which cover about 288 hectares or 36% of the area planted under trees. 409 projects have been financed which constitute 16% of the financed projects out of the amount of funds allocated.

3.2. Livestock subsidy scheme.

Within this scheme a total of 843 farms have received funding worth 120 079 800 leks or through a planned fund equal to 122.05 million leks which have gone to supporting herds of cows. With regard to the *droving* of flocks of sheep a total of 384 herders tending flocks of sheep have been subsidized in the districts of Gjirokaster, Korce, Vlore. The total amount of such a subsidy is in the amount of 26.2 million leks, or at about 98% of planned funding. As for the funding schemes for heat-powered greenhouses given over to the vegetable growing as many as 71 farms have been funded which is at about 75 % of the projects being applied which comes with an area of 40 hectares in the form of greenhouses. The fund issued comes close to 56 684 398 leks or at 99% of planned funding. Subsidies of oil production are concentrated in Elbasan and Vlora districts particularly in two sites which deal in the production of 27 300 liters of extra virgin oil. The fund financed comes to 2.37 million leks or at 82.95% of the planned funding.

3.3. Subsidy scheme for dripping irrigation.

As far as the above scheme goes a total of 266 projects have been submitted. As many as 178 projects have benefited which occupy a total area of 160 hectares under fruit-trees. The financial amount is in the neighborhood of 44 597 leks or at about 99% of planned funding.

3.4. Subsidy scheme "Bio" farms.

As far as this scheme is concerned as many as 15 farmers have applied. Eight farmers have been financed through a fund coming close to 73 600 leks or at 31% of planned funding which comes to 240 thousand leks.

3.5. Subsidy Scheme for nurseries with native cultivars.

4 projects have been funded in the districts of Shkoder and Lezha with a fund coming close to 1761600 leks or at about 99% of the planned fund of 1 762 000 leks.

Table 1. Implementation of support to the interests of agricultural credits.

No.	Regional Directorate of Agriculture, Food and protection of Customers.	No. of applications	No of applications financed	Planned	Financing (leks)	Performed %
1	Berat	3		200 000		0
2	Diber	3	1	200 000	127 604	63.80
3	Durres	6	2	460 000	301 350	65.51
4	Elbasan	1	1	350 000	93 798	26.80
5	Fier	6	2	540 000	53 .898	98.31
6	Gjirokaster	-	1	360 000	351 279	97.58
7	Korce	8	2	940 000	681 500	72.50
8	Kukes	1		0		0
9	Lezhe	2	1	540 000	533 975	98.88
10	Shkoder	2		0		0
11	Tirane	2	1	765 000	762 256	99.64
12	Vlore	0	0	0	0	0
	Total	34	11	4.355 000	3.382 660	77.67

Source: Project 2KR, MAFFPC 2009.

The scheme of subsidy towards the interest rates for agricultural credit works nicely when there is a coordination between project 2KR, which has entered into an agreement with the Bank of Albania, Raiffeisen Bank, BKT, People's Bank, Tirana Bank, NBG, ProCredit Bank, Emporiki Bank, Alpha Bank, Union Bank and the Fund for Development of Mountainous Areas, Besa Fund, Opportunity Albania, etc. These banks submit projects for funding to 2KR project. 2KR project has approved a fund for 11 private entities that are funded under the sum of 3 382 660 leks or 77% of planned funding out of a total of 4.355 million lek.

Table 2. Summary of agricultural subsidies by districts, 2009 (million leks).

No	Regional Directorate	Funded projects	Plan in leks	Performed in leks	Performed %
1	Berat	409	93 924 000	93 543 800	99.60
2	Diber	256	47 400 000	47 281 604	99.75
3	Durres	283	68 124 000	67 382 930	98.91
4	Elbasan	348	77 144 000	76 685 708	99.41
5	Fier	454	114 520 000	114 296 697	99.81
6	Gjirokaster	204	34 307 000	33 939 779	98.93
7	Korce	657	100 620 000	99 993 600	99.38
8	Kukes	113	28 800 000	28 671 000	99.55
9	Lezhe	238	46 740 000	46 437 575	99.35
10	Shkode r	375	72 662 000	72 629 600	99.96
11	Tirane	299	74 986 000	74 014 955	98.71
12	Vlore	442	99 745 900	99 745 900	98.98
	Total	4078	860 000 000	854 623 148	99.37

Source: Project 2KR, MAFFPC 2009

This table is an opportunity to pass judgment on the effectiveness of the process and on the measurement of efficiency of the monetary policy. These statements constitute the raw material that will play into the analysis of the results achieved in each implementation area.

3.6. SWOT analysis project (The weak points).

During the process of implementation of support schemes to agriculture in 2008 a series of problems and difficulties have been encountered which are listed as follows below: As far as planting of new fruit-trees, vines and olives goes there has been a violation of the rules and criteria set forth as for the obtaining of the necessary funds.

In several Regional Directorates of Agriculture, Food and Consumer Protection the number of applicants stood much higher than that of projects awarded.

In other regional directorates several projects focusing on small-sized areas have been awarded maximum points or others, be they small or big-sized areas, have been awarded the same points.

On the whole, the above directorates (commissions responsible for evaluation and verification) have not shown proper care in the full completion of documentation in accordance with criteria set forth under the instructions showing a total disregard to distance between trees planted, disregard of destination, and parcel exchange etc.

The verification act of the implementation of the project in the field is not completed according to the instructions concerning both the serial number of trees bought as well as the actual number of seedlings planted (Lezha, Korca, Tirana, Vlora).

Not all technologies of cultivating agricultural cultivars have been successfully applied, the plots have not been ploughed prior to planting the staking of the plots has not been carefully done.

The documentation of land ownership has been reflected through certificates issued by mayors of communes without assigning the cadastral parcel number or the boundaries (Dibra, Kukes, Shkodra). The project documents fail to provide the technical elements of the project.

They have been deposited with the 2KR project for payment purposes, there are project documents which do not fall under the evaluation list sent by the Regional Directorates of Agriculture to 2KR project near the end of the evaluation.

For payment purposes there are projects which boast a bigger area than that reflected upon the evaluation list (Diber).

There have been delays in the submission of project documents from DBRUMK for 2KR projects including the regional directorates of Fier, Vlora, Korca, Elbasan, etc. There have been cases of submission of project documents without the signature of the representatives of the 2KR project in the verification act application form on the ground such as Lezha and Lushnje districts, etc.

The flawed documents have been returned to the respective DRBUMK for the much-needed adjustments and amendments which in turn have caused delays in financial payments of projects and implementation of the scheme as a whole. As for the livestock scheme there are several districts which have not finished the matriculation process of cattle. Logistical difficulties have been encountered in the verification of flocks of sheep which meander across districts. Failure to respect the schemes of new plantings has also been observed.

The reduction of the minimum boundary of the area planted compared to the planned project area. Failure of cultivation technology, planting of cultivars outside regionalization etc. These findings have been made public by the 2KR project and respective measures have been taken not to allow a repeat in the coming years.

Strong points of the project

During the implementation of the support schemes to agricultural production in 2009 there was an identification of the strong points as well, which make up a positive experience base for the implementation of support schemes in the coming years: Information and publicity on a large scale of measures concerning support to agriculture. Receiving and controlling the project documentation based on the support areas, coming from the DRBUMK was conducted within the deadlines as specified under the instruction which in turn brought about the accomplishment of the objectives for financial payments of the winning projects on time and without any delay, bringing a higher productivity in terms of the work done. Analysis on time and selection made from the 2KR project of the complaints and advertisements made by various farmers in relation to the problems arising from the implementation of support schemes.

The financial liquidation of the beneficiary farmers through personal bank accounts which increases the speed of financial liquidation and reduces the possibility of abuse.

4. CONCLUSIONS

Agriculture remains the most problematic sector in the country. This sector which has been extremely important and neglected in the past is receiving a substantial support from the state. In agriculture the lending opportunities by the banks are in the minimum. The credit given to the agricultural sector by the banks does not even occupy the 1 % figure of the total loans, while the interest of applied loans by a number of micro-credit institutions for farmers have gone to 30%. In the agricultural sector, the main forms of funding are grants and loans by foreign partners as well as any support, however small, provided by the state.

The analysis of the project enables us to draw these conclusions: Financial support in arboriculture, in vineyards and olive groves, in the form and shape of direct payments to farmers, per unit of area planted, is considered and evaluated positively by farmers. They also require an increased level of support in the coming years. Direct financial support is efficient because it has an impact on the reduction of imports and increase in exports in fruit-trees, vineyards and olive groves and the profit margin for farmers has been at high levels in both fruit-trees and vineyards. Direct financial support is considered as being effective since one can easily see an increase in the area planted under fruit trees, vineyards and olive groves where there have been established high standards which serve as a potential for the increase of productivity and high quality. The analysis of the above issues shows the weak points outnumber the strong ones.

The financial support of the farmers from the Albanian government is a good initiative taken at the right time in the face of the needs confronting agriculture. Currently, one cannot pretend to solve the wide-ranging issues facing agriculture with the allocation of 900 million Leks from the state budget for 2009 and 300 million leks given in the form of credits for the agro-processing plants which fall under 2KR project. These funds are very insignificant compared to the urgent needs facing the farmers.

In the past two years (2008-2009) 15 million USD have been used to support agriculture and agro-industry through 2KR project benefiting over 7000 farmers coming from a total of 410,000 farmers existing in Albania at the moment. This shows the inadequacy of funds for the agricultural development and growth of living standards among farmers.

It is recommended:

- to evaluate the effects of direct support and increase the level of direct financial support to farmers in the coming years;
- to better program the information and awareness of farmers making use of all the communication means;
- to reduce the time for application and release of funds.

The monitoring and evaluation standards stand in need of improvement and should be made independent.

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