National Conference

Albanian Agriculture in Transition: Agricultural policies in the Focus of Analysis 1991-2000

(A Collection of the Conference Papers)

Organized by:

The Agriculture University in Tirana

The Albanian Center for Economic Research

June 8, 2001

National Conference

Albanian Agricultural Under Transition. Rural policies in the focus of analysis 1991-2000

(Review of Conference Preceedings)

Organised by:
Agricultural University of Tirana
Albanian Economic Research Center

8 June 2001

The Organisers:

Prof. Kristaq Pata, Dean
The Agricultural Economy
Department.
The Agricultural University of Tirana

Dr. Zef Preci, Executive
Director
The Albanian Center
for Economic Research Tirana

MNS Press
Tirane, June 2001

PREFACE

It has been ten years since our country has gone through a systemic transformation, which no doubt has brought basic changes not only in the general national production structure, but also in the factors and sources of economic growth, etc. These changes, not only have promoted the level of living conditions for a large and increasing number of our compatriots at the beginning of this new millennium, but at the same time they have altered the human relationship with nature, the methods and instruments used by the society in the exploitation of natural resources. In this intensive process of interchange between man and nature, it is not difficult to distinguish a significant degradation of the environment, a use without criteria of many valuable natural resources, some times in a subconscious manner, acting under the pressure of the demand and increasing needs of the economy. The same consequences seem to have been created also by the regional economic cooperation process and the integration of our country in the global economy era.

The growth and development of the agricultural sector of our country during the last decade, is basically the history of our transition toward the free market economy and the free society. Not simply for the fact that the peasants of our days, some times called farmers, or the ex-cooperative workers of the past, suffered the consequences of economic policies followed for decades. Not even because Albania was and is remained in many ways a huge countryside and the poorest country, in the southeastern part of the modern Europe. To my point of view it is due to the fact that through agriculture and policies undertaken and used in this sector, the development of other branches and sectors of the economy of our country, the competitive ability of the economy as a whole, the integration growth to the global economy etc are significantly conditioned.

In many studies and different research documents, published or not published, a number of achievements dealing with the production in the agricultural and live stock sector (such as ownership issues and the use of land; agro business, agro processing and marketing) have been clearly notified.

While the further promotion of the reforms in the agricultural branch seems to be focused in particular in the land tenure reform, in the incorporation of the country in international organizations, in the reconsideration and promotion of the export encouraging policies etc.

Agriculture, one of the most important branches during the transition period of our country toward the free market economy, is estimated to have significantly contributed in the economic growth achieved up to now by developing more quickly than the other branches, even though research on its contribution to GDP and the economic growth of the country is an issue for debate as far as its accuracy is concerned, it shows that during the last two or three years there has been a decline in growth levels, which can also be expected in the coming three or four years. Thus, in order to analyze the growth, challenges, experiences and above all in order to envision the developments of the coming decade, preparing the way for the policy decision makers and the public policy appliers in the field of agriculture, the Agricultural University and the Albanian Center for Economic Research (ACER) have initiated a conference entitled: "Albanian Agriculture in Transition: The Agricultural Policies of the Last Decade in the Focus of Analysis", the working papers which are published in this book.

We hope that this collaboration will be of interest and will be useful in our work.

Dr. Zef Preci,
Executive Director
Albanian Center for Economic Research

Acknowledgements

The conference titled **"Albanian Agriculture in Transition: The Agrarian Policies of the Last Decade in the Focus of Analysis",** and this publication based on the conference materials have been made possible thanks to the financial support of the International fertilizers Development Centre/Albanian Agriculture Associations Technical Assistance (IFDC/AAATA); The German Agency for Technical Cooperation/The Project for the Support of Agricultural University of Tirana (GTZ); Immovable Property Registration Project /The Project Management Unit (PMU/IPRS) and the Food and Agriculture Organization of the United Nations (FAO Project GCP/ALB/004/ITA.

We also thank Mr. Agron Hetoja for his availability and efforts towards the achievement of the several activities required for the publication of the book that is in your hands today. In this occasion, we express our deepest gratitude towards our many colleagues and collaborators that, through their comments and suggestions, helped the Conference Organizers in the preparation and publication of this summary.

The policy views and opinions published in this publication remain the responsibility of their authors and do not necessarily express the views and opinions of the Conference Organizers.

"Economic growth and Poverty Alleviation" On the Outlook of Agricultural Policies 1991-2000

By:

Prof. Dr. Vjollca IBRO

Vice Minister of Agriculture and Food

Agron HETOJA

Director of "Agricultural Production and Marketing" sh.a.

1. What is aimed and achieved till now

Albania, after 45 years of political and social economical isolation, in 1991 became part of international community. During the ten year period following 1991 were undertaken a lot of social and economical reforms, as in other Central and Southeastern European Countries. Economical system before 1991 consist of the most extreme model of centralization and governmental autarky, followed by a weak economy and low effectiveness. Agricultural sector was still the most important for the country economy. Therefore, this sector was thoroughly influenced during the political changes taking place in late 1991 and beginning of 1992.

The tough social and economical situation during the first years of political pluralism and establishment of free market economy, caused:

➢ A drastic decline of economy and living standards for the majority of people, especially those in rural areas.

➢ Deepening of psychological and monetary poverty caused by an already destroyed social system and high unemployment level. At the meantime, family farms production reserves available for marketing did not exist and about 460'000 new Albanian farmers coming out from the land privatization process were focused on providing their family basic needs.

In the middle of year 1992 was signed an agreement with the International Monetary Fond and Albanian authorities designed and start the implementation of a Stability and Restructuring Macro Economic Program, which important part was the agriculture sector.

The support for economical reviving of the agricultural sector and monitoring of the transition process from the centralized economy to the free competitive market economy aimed at establishing well-defined objective strategies:

"An Agricultural Strategy for Albania[1]", for the period 1992-1996. This document consist more on a Action Plan for some short and medium term measurements to be taken for enabling the successful transition from the centralized economy (really destroyed one) to the free market oriented economy.

"Green Strategy", for the period 1998-2002, designed to act as a basic document for a perspective short (1998-1999) and medium (2000-2002) term agriculture development with respective objectives and actions.

1.2 "An Agriculture Strategy for Albania"

This document enlighten the priorities of the government related to food supply requirement for about 3 million people and increase of the employment level and rural income rate. These measurers were considered crucial for the economical regeneration and poverty alleviation. As a political commitment, the document was focused on two periods:

On the short term period (1992-1993) was aimed the increased level of net benefits in the agricultural sector. This objective was related with the monetary and fiscal stability and establishment of protective institutional, legal and administrative systems for an efficient and functioning market economy. The Document "An Agricultural Strategy for Albania" aimed at macro/micro economic stability and poverty alleviation throughout:

---

[1] This document was prepared by a common working group of World Bank, European Community and Albanian experts.

Finishing the land reform process (initially the privatization of the agricultural cooperatives land and later on the land of 251 state farms that owned 24 % of the arable land and counts for more then 30 of GDP),

Removing the control over the prices of a majority of domestic products and liberalization and foreign trade (vegetable prices were liberalized very fats resulting in an easy trading and establishment of a private vegetable market, while the control over the price of imported meat, butter, cheese and eggs impede the spontaneous increase of the prices and limited the establishment of private markets for these products);

Increasing incomes in rural areas by designing and implementing a public works program aiming at regenerating the basic damaged infrastructure;

Supporting market with infrastructure and special services by establishing necessary institutions;

Stopping hyperinflation by re-gaining the control over exchange of national currency against main foreign ones as well as decentralizing the banking system.

On the medium term period (1994-1996), the document aimed at establishing fundamentals for an economical growth and institutionalization structures and modalities of the market economy through a system of measurements, as for example:

Continuity of the trade and prices liberalization process as well as promotion of first competitive steps of domestic products in the internal market for expanding later on neighbor countries market (trade development was strictly related to the promptly success on global restructuring of Albania, especially in the legal and monetary aspects);

Seasonal crediting will be suitable for short term, while in long term, crediting will be extended to other activities as repairing and restructuring irrigation/drainage systems, development of dairy products, improvement of mechanization by new equipment and aggregates, etc. This has required the strengthening of rural financing and crediting structures by deepening the decentralization process and adopting a new flexible and contemporary legal framework for bank or credit institutions) strictly related to creditor groups, cooperatives or producer associations);

Aggregating production resources and tools and establishment of private farmers associations oriented to the high need for: i) deparcelization and farm size consolidation, ii) providing short term financing resources, iii) improving marketing capacities;

Establishment of preliminary mechanisms (legal, institutional and monitoring) of a transparent land market that will enable a better management of privatized land and its consolidation at farm level;

Promotion of extension services for transmitting to private farmers the results of new researches, technologies and contemporary practices of production and marketing based on cost-effective mechanisms as well as about services offered by public sector.

These policies set up the bases and prepare the ground for a prompt economical growth during the medium term period. But, also they bring out some problems and difficulties not foreseen before that had to be thought over a new context and perspective. However, above mentioned policies as well as other macro economic reforms in Albania had enabled the beginning of a new private ownership era, free initiative and democratic rights for working and living.

1.3 "Green Strategy"

In 1997, based on the positive achievements and re-evaluation of mistakes in reform implementation for the period 1992-1996, as well as following the recommendations of the international community (Ministerial Conference, Rome October 17 1997, Donor's Meeting, Brussels October 22 1997), for more then 15 months Albanian experts, from every agriculture aspect, with the consultation and assistance of donors community, worked intensively to prepare a new strategic framework for further development of agriculture, the "Green Strategy" that was approved by the end of 1998. This strategy was inspired by the need for:

➢ getting the maximum benefit from the favorable natural, climatic, geographic and cultural condition of Albania for the development of agriculture and other activities related to rural development,

➢ increasing the adaptability level of Albanian farmer's community to new conditions,

➢ Gradual integration of Albanian agriculture into the European Community structures.

Main objectives of the Green Strategy for the short (1998-1999) and medium (2000-2002) term consist of:

➢ Consolidation of up to now achievements on agriculture reforms (including speed up of ongoing ones) and improvement of legal, administrative and institutional framework of free initiative;

➢ Increase of agriculture productivity through a technical progress aiming at a rational development of agriculture production and rational use of basic production factors;

➢ Assurance of a satisfactory living standard for rural population, based mainly on incomes from agricultural activities;

➢ Organization of agricultural marketing and market;

➢ Guaranteeing food supply in quantity and quality;

➢ Creating conditions for the agriculture activities not to have negative impacts on the environment;

➢ Fulfillment of conditions for a gradual integration of Albanian agriculture in EU structures.

The core of Green Strategy was the consolidation of a dynamic balance of market orientation of agro-food sector with a suitable liberal marketing regime. This is possible in the framework of:

➢ Agriculture production and marketing development with no state subventions;

➢ Limiting state role in agriculture to a policy maker and development promoter body.

Farmer's information and training, increase of agriculture production and improved quality, research and extension services, increased cooperation level between farmers, trader and agro-food businesses, marketing infrastructure, etc, are considered as crucial aspects for a sustainable economic growth.

Actually, we are going toward the deadline of Green Strategy. Several steps are taken and a lot of them are in a good way and giving their positive expected results. However, a careful analysis of the situation, difficulties and opportunities of the Albanian agriculture considering new conditions following the membership to the WTO and especially when close to the assignment of the Stability and Association Agreement with EU, makes indispensable the design of a new long term strategy for integrate development of agriculture in the free regional, European and global market.

2. Actuality: condition we are in

Poverty in Albania is multidimensional phenomenon. Generally it is related to limited possibilities for providing incomes, basic services, decision making influence and risk insurance.

More then 80 % of poor people live in rural areas, where 60 % of the whole population lives. Considering the fact that main income resources for these families are those from the farm (where 60 % of family leaders are self employed) and immigration, it is really important to analyze limiting factors for the development of agriculture sector as well as possibilities for its prompt growth.

Between three main agro-ecological areas in Albania, flat, hilly and mountainous areas, the last ones are poorest. Reasons for this situation are different but the main ones are related to small arable land available and high fragmentation level. Different social economic studies and surveys show that more then 30 % of families living in these areas has less then 0.5 ha of arable land, while only 45 % of them has 1.1-2 ha of arable land.

Also, lack or damaged road infrastructure and low rural transport capacity influence the isolation of mountainous areas from living resources, markets, basic services, social and cultural activities, etc.

Apart from what we mention above, the poverty level is influenced even by other factors as big families (5.2 members/family), age of family leader (less then 36 years old), education and qualification level (80 % have done only the elementary school).

Lack of incomes and basic services as drinkable water, sewage evacuation systems, etc, are causes for malnutrition and high level of vulnerability against infections and diseases. The mortality of children under 5 years old is still too high.

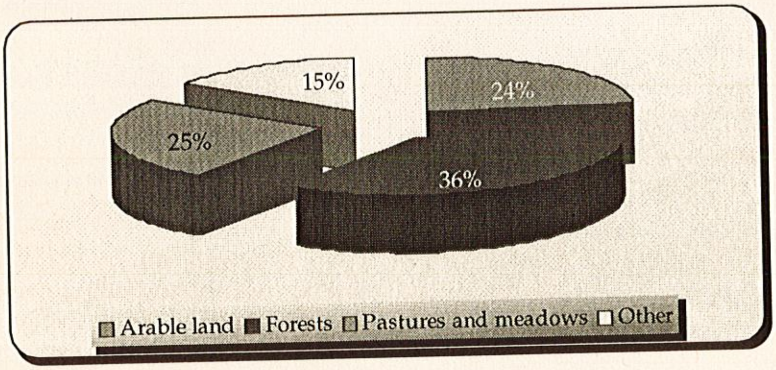
In poor rural families, women are those paying the high costs of social economic transition, except for children. They deal with great part of the manual work in the farm and often the substitute the men who are forced to immigrate locally (in urban areas) or abroad (in Greece, Italy, Germany, Canada, etc). She takes care for the hygienic conditions in the family and children progress in the school (sometimes they are abandoning the school to assist the family in the farm activities for food supply). Considering the important role of the woman in the family, she is still suffering the most from malnutrition and over exposed to different diseases.

The level of social insurance for the self-employed people in agriculture is around 35 %while the health insurance is at inconsiderable level. Since poverty itself is the impossibility to achieve a minimum life standard, the concept of real crucial minimum life standard as well as gross incomes per capita is not clear yet. When analyzing the incomes per capita were considered incomes generated by selling agricultural and dairy products. Usually, this income is low if compared to the family needs.

Among limiting factors of the agricultural and food sector that influence the increment of incomes from the farm we will mention: i) land with its features, ii) cooperation level between producers and production supporting lines (credit), iii) irrigation and drainage infrastructure, iv) transport services capacities, and v) agricultural information and marketing infrastructure and fair business competition.

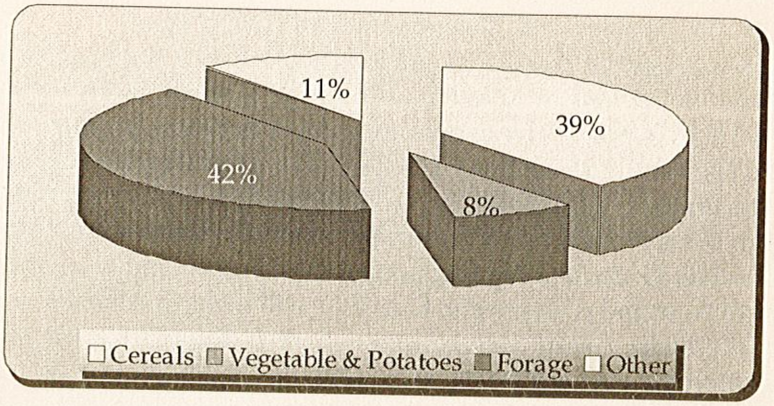
The limited size and big fragmentation of arable land is an obstacle for production and yield growth. Out of 2.8 million ha of Albania, only 25 % or 700'000 ha is arable land. There are three distinctive geographical areas heterogeneous regarding micro climatic conditions: i) coastal area with almost 44 % of arable land, ii) hilly areas with about 37%, and iii) mountainous areas with 19 % of arable land. Land distribution and privatization process created some 467'000 family farms with an average farm size of 1.17 ha divided into different units.

Figure 1. Land structure



The fragmentation of family farm (4-7 units per farm) makes economically not effective the use of mechanization in farm works, except it is used in cooperation with other farmers. Since the beginning of transition period the area of land used for cereals and industrial products is diminished, while the number of livestock is increased considerably.

Figure 2. Crop structure



However, in Albania the majority of farmers are mainly producers for household needs supply that cultivate forage plants, wheat, maize, potatoes and vegetables for family use and selling (only few farmers can reach the market) only some vegetables and dairy products or livestock for providing clothes, hygienic items or other family needs. When the privatization process of basic assets and other production tools is already finished, the process of land registration is not finished yet.

The difficulty in establishing producer associations in the rural area is a sociologic phenomenon (adverse mentality from the past experiences and ambiguity of the advantages resulting from cooperation). So, farmers hesitate to join each other in activities of economic benefits. Generally, Albanian farmers own the land they are working with. After 50 years of forced cooperation, now they feel independent and do not believe to other forms of cooperation. This mentality makes incredibly difficult the establishment of associations for producers, water users and marketing. Even when farmers are joined together for getting direct profit from foreign assistance, their interest on the association is lost when the assistance is finished.

At the meantime, as result of clear profits and small number of interested partners, the cooperation level between traders and input suppliers and other commercial agro-business links is reinforcing day by day toward the establishment of trading monopoly for agricultural inputs. Meanwhile, the market for agricultural products is liberalized and the producing farmers have support from the state by subventions or credit lines, the market for agricultural inputs (commercial agro-businesses) and the part of producing agribusiness for special products is supported by development agencies with technical and financial assistance[2]. There are several examples from Central and East European Countries showing the economical growth comes from commercial business, but in these countries the role of agriculture in the national economy is too small (in Czech Republic agriculture sector counts for 3-4 % of the whole economy and in Slovakia 8-9 %).

Since farmers are not ready to join their production activities and resources, production deficiency resulting from fragmentation will increase the overall costs of farm productions. This fact also has a negative influence on acquiring new machinery for works and transportation placing some more limits to the operational efficiency and increase production costs. Individual farmers pay the highest prices in Europe for buying production inputs. Also, hesitating to join a common marketing effort show their power for negotiating and marketing is very weak. So, Albanian farmers' trend to operate with a reduced efficiency, high production costs and less information compared to cooperating approach.

If Hungary has a positive agricultural trading balance of 1.8 billion USD, or Bulgaria with a positive balance of 1 billion USD; Albania exports counts only for 13-15 % of the total agricultural import. If Hungary

---

[2] In 1994, Czechoslovakia comes to the conclusion that the current membership in the Agrar Chamber of Farmers, Processors and Wholesale Traders Associations was not more effective. If each association was established to protect and strengthen the rights and interests of its members, interests and right of members of a producers association conflict with those of members of a processors or wholesalers association. Not only, but there were cases when members of different producer's associations conflict about alternative products and although members of producer association could not coordinate their activities. An agricultural newspaper of that time analogizes this case with *"closing together wolf and sheep"*.

established its Agriculture Marketing Center in 1995 as a public enterprise that informs farmers on domestic and international market trends on agricultural inputs and products, Albania recognized the need for improving marketing information and infrastructures for the farmers in 1998 and it takes two years to conduct a feasibility study on establishing a wholesale market in Tirana that is waiting for funds to be realized.

Green Strategy emphasize the need for more supporting services to the farmers related to scientific research and extension. But, Albania has not an institute or economic research center on agriculture economy and agribusiness yet, that will: i) enable comparative analysis on risks and benefits level, ii) study and promote comparative advantages of different agricultural crops, iii) establish commercial links and cooperation between Albanian farmer's community and East European markets, and iv) inform on domestic and international market trends.

It is difficult for the farmers to understand that they can make strategic decision based on market information. Lack of this information increase transaction costs within the sector, that influence negatively on cost competition as far as the market does not play its production regulatory role. Lack of information of prices in the domestic market obstacle its organization and strengthening. At the other hand, due to low and doubtful quality of processing, packaging and labeling (often not used at all) agricultural products are less competitive in the domestic market compared to imported products and could not reach the international markets.

Export promotion for agricultural products can be supported by a possible subvention system for the exported products in order to review the content of inputs for agricultural products according to the analog system of EU. New approaches for protecting the domestic market should be introduced as strategic objectives in concordance with Albania international commitments based on trading rules of WTO and other similar instruments. This is not aiming at excluding foreign products from the Albanian market, but at protecting domestic products and filtering Albanian market from any unfair competition advantages of products coming from import as result of enormous subventions applied in those countries (with support of their governments or EU) for agricultural products.

Lack of financial funds and services for the farmers, agribusiness producers and other investors in the agricultural sectors, limit considerably the possibility for credits or investments for agriculture and agro-business. There are only few bank institutions on rural communities, outside big urban areas; thus the possibility for finding financial services is very limited.

Considering the geographic position, climatic conditions and water resources in Albania, agriculture is strictly dependent to the existence and status of irrigation and drainage systems. Actual data show that up to now products of high value, which need an intensive work and can be exported in European countries or reduce import of foods in Albania, are not adopted yet. However, ongoing investments, only 54 % of the potential irrigation area are irrigated and more investments are needed for the irrigation and drainage systems.

Old transport infrastructure impede the effectively distribution of quality products in domestic and international markets. Poor conditions of road network cause an increase of the transport time as well as damages to the quality; therefore the transport costs are increased. Poor infrastructure conditions also influence the retirement of foreign investors. For same reasons, access in mountainous areas, where there are possibilities for producing special products that need intensive work, is limited.

Actual electric power inadequate supply impedes agricultural products processing and preparation of inputs required by the agro-food sector. This obstacle has a considerably influence related to domestic or foreign investments, especially in the agro-processing sector.

As in other development countries rural poverty in Albania is also related to environment degradation. However this is a complex rapport. There are a lot of examples of farmers using the environment for generating some more incomes. The same poor people living in different agro-ecological areas generate different incomes according to their innovative abilities for using natural resource features.

3. Future: Strategic Options for Economic Growth and Poverty Alleviation

Promotion of sustainable growth and comprehensive development is the main priority of the strategic document prepared by a working group of MoAF for economic growth and poverty alleviation (EGPA). This document aims at a fair distribution of benefits from economic growth to all rural population, mainly in mountainous areas, and will consider the existing capacities at community level.

Through a participatory process is aimed at collecting the opinions from main interested actors in the preparation of this strategic document and especially those from the agriculture and food sector, independent by social political pertaining or professional qualification.

Reviewing up to now achievements of the Government measures, EGPA strategy aims at:

- A higher sustainability of the undertaken reforms in this sector,
- Consolidation and further continuity of public investments on sector infrastructure, and
- Involvement of all economic, social and financial resources for providing increased public and private investments in: i) marketing, ii) agro-processing, iii) food supervision, and iv) sustainable use of natural resources.

Also, guaranteeing basic possibilities for people food supply in rural areas is considered.

Main objective of EGPA strategy is to increase economic benefits within the agriculture sector and over the rural area by using the multifunctional dimension of agriculture as well as other potentialities of the rural area.

The proposed objectives in this strategy assume the realization of financial resources allocated in the Public Investment Plan (PIP), but the basis for their realization will be the Midterm Budget Program (MBP) for the period 2002-2004.

Considering the complexity of the objectives and the need for integrating the proposed interventions, effective coordination between other institutions involved in this strategic program is required. This is an important issue, because some of the objective aimed not only at investments and sector policies but also at an integrated regional rural development assuming the involvement of other ministries investments. It does not dim the need of involving rural population in these areas to be an active part in the implementation of this development program.

The government objective to have an annual economic growth of 8 % emphasize the need for intensifying efforts on deepening the privatization process of remained state enterprises and establishment of an adequate legal and institutional framework to promote foreign investments.

Poverty alleviation and economic growth stimulation will be possible as result of a clear focus on and deeper integration of sector policies and public expenditures based on country's real macro economic resources and effective use of international assistance. Expenditure planing must focus more on sustainable use of natural resources and economical potentialities of rural areas.

As in other sectors, public administration modernization and increased efficiency in providing public services in agriculture will favor production cost decrease, strengthen trade efficiency and free competition for production resources and ready for marketing goods, and reduce transport costs and trade duty obstacles. Also, this process of decentralization of public administration in the sector is expected to stimulate legal trade by reducing possibilities for abuses and will increase incomes from taxes.

Human development with its complexity is considered as a priority of the future tasks. Doubtless, an important role in protecting consumers' health and decreasing the vulnerability level against diseases caused by food is played by the policies related to food quality control. The need for thematic studies producing specific recommendations in this field is already known.

Based on some calculations, food requirements are higher in urban areas compared to rural areas. As result of decreased agriculture production in the last ten years and competition disadvantages of domestic products compared to imported ones, food supply is still highly dependent from import. However, the improvements in trade balance of the last three years, imports of food products has always been sometimes more then the exports (in 2000, import value of agro-food articles was 32.6 billion Leke, while exports were 4.1 billion Leke). Main imported food articles still remain the basic ones as sugar, wheat flavor and cooking oil.

Although, the high poverty level in rural areas, the malnutrition problem exist even in urban areas. Both in rural and urban areas poor people can not stand high prices of food in the market (domestic or imported). Agriculture is income resource not only for the rural farmers, but even for those trading or processing agriculture products. EGPA strategy, based on detailed analysis will design long term scenarios on guiding normative nutrition standards.

Integrated local development on a wide specter of interests based on community needs can be promoted only through effective use policies for domestic resources and incentive of entrepreneur culture. EGPA strategy will enable identifying entrepreneur opportunities in sector like agro-industry, state and communal forests, aquaculture, etc. Considering the variety of farm activities and agriculture economic effective enterprises, as well as knowing that these are important wellbeing aspects of majority of rural communities, the promotion of multi-functional role and contribution of farm and farmers in goods and services of public interest will be a strategic priority.

Improvement of living conditions in rural areas (education, health care, trade and agro-tourism development, sport and culture activities), is strictly related to the improvement of all rural infrastructure aspects (road network, drinkable water, telephone line, communal postal and electric service, etc). The strategy for poverty alleviation will aim at establishing comparative infrastructure bases and services in rural areas, where it is possible, like those in urban areas. The aim will be at drinkable water supply and protection against pollution by sewage waters. This is related with the plans for initiating partial privatization of water supply systems.

This strategy will be guided by the concept of integrated development of economic, social, demographic and cultural factors. Policies formulated for the implementation of the strategy will aim at promoting harmonized development of other sectors in the rural area that provide employment and income increase for rural populations not only from agriculture but even for other sectors.

Since land fragmentation and small farm size limit use of mechanization and other agricultural services, policies to be followed in the future must promote business and entrepreneurs in other sub sectors like agro-processing, agro-tourism, services. The emphasis will be put on stimulating the organization and strengthening of small and medium enterprises based on production, processing and marketing of agricultural and dairy products of high value and conform contemporary standards.

In the framework of the Economic Growth and Poverty Alleviation strategy in rural areas, the Ministry of Agriculture and Food has set clear objectives. Moreover, ways for achieving these objectives, monitoring indicators to evaluate success/difficulties and define further steps toward these objectives, have been detailed.

Sustainable Agricultural Development considerations and related issues

By:

Prof. As. Dr. Myslym OSMANI

Prof. Dr. Kristaq PATA

Agricultural University of Tirana

1. Introduction: The concept and features of sustainable agricultural development.

The issue of sustainable development is taking a particular attention in the present discussion, policies and economic terminology around the world. This issue is addressed in a way that is as much phylosophical and strategical as concrete and pragmatical. It represents an attitude (and at the same time an elaborated policy), that is not quite new in front of the new challenges of economic development for many countries worldwide. The essence of this attitude is related to the question on how to foster the economic development without causing particular growth problems by accentuating the more effective use of its limited resources. Thanks to application of this attitude, many countries have managed to save unthinkable amounts of energy and at the same time achieving a considerable growth in production of goods and services.

2. Objectives, research data and methodology

The objectives of the research consist in the following:

➢ Development of a concept on sustainable growth in agriculture.

➢ An assessment of the sustainability of Albania's agricultural development during the period 1992-1999

➢ A partial analysis of (un)sustainability factors of agricultural development during this period.

The data are of a statistical nature obtained from the Ministry of Agriculture and Food and the Ministry of Finances. Research methods are mainly statistical like relative measures, regression and correlation as well as the comparative and economic method.

3. Analysis and main findings

The question of sustainable growth applies also to agriculture just like the overall economy. Furthermore, there are more reasons to raise this question for the Albanian agriculture, especially in relation to the overall economy where, as we all know, agriculture generates about 53 percent of the GDP. Under such circumstances, the pace and the way how agricultural production grows will largely affect the pace and the way how the overall Albanian economy will grow. Stated more clearly, instability and crisis in agricultural development are likely to bring about considerable disturbance in the overall country's economy.

Sustainable development of agriculture (SDA) would be the sustainable and long-term growth of agricultural production, based on effective use of agricultural resources, soil, manpower and capital. In this view, the sustainable agricultural development may be equaled to irevocable development.

In the above definition, the following essential elements of sustainable agricultural development need to be pointed out:

a) Growth from year to year with an accelerated pace (more than 100 percent).

b) Sustainable growth, without considerable fluctuations from year to year. For instance, the growth of agricultural production at 110% in one year and 101% at the following, are sharp fluctuations that are uncommon for sustainable development. Meanwhile, annual growth rates at 110% in one year, 108% in the following year, then 107% and again 108% in the following years, are more compatible with this concept.

c) To qualify as sustainable, the growth must be long-term. Thus, when agricultural production increases for three or four years in a row and falls for one or more years, the growth cannot be considered as sustainable. Sustainable growth implies continuity for long periods of time.

d) The effective use of agricultural resources at national level according to Pareto's principle is the key feature of sustainable growth. In theory, according to Pareto's concept, a production source would be effectively used if its opportunity cost would be null. In reality, to effectively use resources, their opportunity cost must constantly approach the zero level. In other words, the production per unit of production factor must be as high as possible and must continue to grow; this must of course be seen in the context of a whole country. Hence, we could not have an effective use of agricultural land at national level when the cost of wheat production although being reduced in one area it is still higher in comparison with another area that has more favorable conditions.

The three first elements described above are related to the external or formal side of sustainable growth in agriculture, while the fourth element is related to its substance. When analysing the agricultural development, these elements must be viewed as a whole, as this is the only way to draw accurate and comprehensive conclusions. Thus, agricultural production may increase rapidly for a number of years by using the existing land, but if one fails to think at the same time about erosion then the 'golden' years will certainly be followed by difficult years when production may fall to stagnation. This is of course not a sustainable development because exploitation of agricultural land has implicated the perspective of the long-term agricultural development. Similarly, production and yield may be increased substantially by using excessive amounts of pesticides, but the growth during the oncoming years may fall sharply due to unreparable exacerbation of production conditions as result of misuse of pesticides. In other cases, exploitation of production factors in agriculture occurs without being noticed or paying the due attention. Such example in the Albanian agriculture is the manpower, which we think is currently being exploited convincingly. The question put forward is:

Is the agricultural development in Albania sustainable?

To judge whether the Albanian agriculture is developing in a sustainable or ireversible way, the main attributes of such development, as identified above, must be analysed.

The following table indicates the growth of agricultural production according to sectors duringt the period 1992 until 1999.

Table 1. The growth rate of gross agricultural production (%)

Sectors	1992	1993	1994	1995	1996	1997	1998	1999
Livestock	100	127.6	119.5	111.7	102.2	90.7	101.9	x
Agriculture	100	112.7	98.1	113.3	104.5	85.3	104.8	x
Fruit trees	100	114.6	110.6	126.9	98.5	106.2	105.8	X
TOTAL	100	118.6	108.4	113.3	103.0	89.2	103.4	106.0

Source: The Statistics of the MOAF, 1998-1999

Seen from the growth rate point of view, during the period 1992-1996 agriculture had positive growth rates that were higher during the first years with a general tendency to fall. During the period 1998-1999 the overall growth had a positive pace. In 1997, agricultural production fell sharply in comparison with a year ago because of the unrest at that time. In spite of the overall tendency to fall and the very high growth rates during the first 2-3 years, production has been increasing progressively and from this point of view, the agricultural development until 1996 may be considered as sustainable. The same can be said for the period 1998-1999. However, the agricultural development seen for the period 1992-1999 cannot be considered as sustainable because in 1994 production in agriculture only fell under 100 percent, meanwhile in 1997 all production fell by 10 percent. It is not yet clear how sustainable will be the development after 1997 as in two years it is impossible to judge on a long-term sustainability.

To better judge on the sustainability of agricultural production, the use of production factors in agriculture as well as their productivity needs to be analysed.

Productivity can be analyzed through agricultural production indicators for every thousand hectares of cultivated land, and the livestock production for every thousand converted animals (Table 2 and Table 3).

Tabela 2. Area of cultivated land and production for every thousand hectares of cultivated land

Item	1992	1993	1994	1995	1996	1997	1998
Production (million)	37829	42332	41452	46979	49079	41851	43946
Area (1000 ha)	424	490	519	495	433	422	431
Production per 1000 ha	89.2	86.4	79.9	94.9	113.3	99.2	102

Source: The Statistics of the MOAF, 1998

By analyzing the indicators of the above table we could notice obvious differences of the cultivated area; this proves lack of extensive use of the existing agricultural land and considerable differences from one year to the other. Of course such fluctuations do not serve to the sustainable agricultural develepment. On the other hand, the rate of exploited land is very low. Knowing that the total land area, excluting tree orchards, is about 580 thousand hectares, it results that during the period 1992-1998, it is used at rates ranging from 73 to 87 percent. This figures correspond to years 1997 and 1994 respectively.

Of interest is the fact that between field crop production (FCP) and cultivated areas among many years there is a very weak statistical relation that is indicated through the following model:

$$FCP=40190.3 + 6.887\ S, \quad R2=0.56\%$$

In other words, although FCP has fluctuated along several years me, this model indicates that such fluctuations are not related to changes of the area of cultivated land. This fact implies that the agricultural land has not or did not have importance as factor for the overall agricultural development, but it demonstrates a bad exploitation of the agricultural land, an effectivity that is so low that it does not affect agricultural production at all, or other factors surpass it considerably, undoing its positive impact. Such facts indicate a minimal role of agricultural land in the sustainable development. A different view from agriculture is observed in the livestock sector (see Table 3). The number of animals until 1995 has bee increasing constantly. After this, it starts falling and the main reason is the political crisis of 1997. Despite this, the number of animals has supported the sustainable development better than the land area since production per animal has increased constantly. On the other hand, statistical calculations indicate that between livestock production (LP) and the number of animals (N) there has been a very strong relation:

$$LP= -2062.3 + 40.834\, N, \quad R2=49.6\%$$

This figure (49.6 percent) indicates that the number of animals has been an important factor in increasing the livestock production, but also a number of other factors, along with the number of animals, have determined the amount of production during the period 1992 - 1998. These factors are related to the yield and efficiency of animals. Hence, as long as yields in livestock production have been low, these factors of had almost equal impact as the number of animals, but on the contrary (negative): 49.6 - 100 = -51.4%.

Table 3. Number of converted animals and livestock production per '000 converted animals

Item	1992	1993	1994	1995	1996	1997	1998
Production (million)	29693	37875	45303	50851	51688	46899	47830
Number of livestock 1000*	964	1032.	1294.	1316	1180	1114	1046
Production per 1000 heads	30.8	36.7	35	38.6	43.8	42.1	45.7

*) Including only cattle, pigs and small ruminants
Source: The Statistics of the MOAF, 1998

The use of fertilizers, water and selected breeds, seed and animal feed, will of course have a substantial impact on agricultural and livestock production. (Without mentioning other factors of economic and organizational nature like the ownership structure of agriculture, farm size, etc.) Unfortunately, the data of a dynamic statistical nature that would enable comparisons for some of these indicators still lack. To judge on their impact and efficiency we will refer to empyric experience or cross calculations.

Lets refer to the use of fertilizers at national level.

Table 4. The use of fertilizers at national level (in ton)

Years	1992	1993	1994	1995	1996	1997	1998
Total	x	x	x	91477	103945	112352	124052

Source: The Statistics of the MOAF, 1998

Generally, the use of fertilizers has been increasing over years. However, it appears that between increased use of fertilizers and increased production of farm crops, there is no relation. There are two possibilities: either the use of fertilizers has been inefficient due to disconcordance with other factors like wheather conditions, irrigation, etc., or it has been effective but their impact has simply compensated the negative impacts of other factors like wheather, irrigation, seeds, etc., therefore its impact is hiden negative effects of other factors. Anyway, what we have in this case, is an ineffectivity of production sources in agriculture. Either the use of fertilizers has been ineffective, or the use of seed and water, which are important factors closely related to the use of fertilizer, has been ineffective.

Knowing the level of usage of seed in Albania, where generally they have met small fractions of the demand, we think the ineffectivity in the use of fertilizers is mainly related to the lack of quality seed, or the use of uncontrolled seed. On the other hand, it is also related to the management of water for irrigation which can meet only minimal needs of plants and often not during optimal periods. The poor management of water is also related to weaknesses of institutions and the aggravated situation of the irrigation and drainage system in many districts. The fact that between irrigation capacity of several districts (Durres, Elbasan, Fier, Laç, Lezhë, Lushnje, Peqin), and the yields in vegetable production during 1998, there is a weak relation ($R2=6.9$) implies a poor management of waters. (In the case of forages, this relation results at $R=-0.4$ that is a negative relation between yields and factual irrigation capacity. This is paradoxical because it indicates that the forage production in the above districts, with a higher irrigation capacity, is low!)

Now, let's go back to an important aspect of livestock, namely the efficiency of using fresh feed at national scale by comparing cow milk production with the production of forages and forage production per head of cow.

Table 5. Information on cow and forage production

Items	1992	1993	1994	1995	1996	1997	1998
Number of cows	324	358	451	470	483	432	423
Milk yield	1542	1598	1600	1720	1870	1637	1707
Forage production	2991	3237	3800	3797	3970	3671	3843
Forage yield	187	200	204	243	235	239	263
Forages /1 cow	9.23	9.0	8.4	8.1	8.2	8.5	9.1
Converted cattle *)	964	1032.	1294.	1316	1180	1114	1046
Forage / 1 cattle	3.1	3.1	2.9	2.9	3.4	3.3	3.7
Production / 1 cattle	30.8	36.7	35.0	38.4	43.8	42.1	45.7

*) Includes only cattle, pigs and small ruminants.
Source: The Statistics of the MOAF, 1998

Calculations indicate that between milk yields and forage production per cow there is a negative relation (!), as the coefficient of corelation results at R=-0.59, therefore by reducing the feed per animal (which has occurred in fact), the yield will increase. Although not all forages are used for feeding cows, or in addition to fresh feed, other feed is used, the result is not that normal. Reasons for this can be:

➢ The better use of animal feed, therefore a more efficient use of the feed through a better combinationof different kinds of feed.

➢ Positive influence of other factors on livestock, therefore their sustainable use, which adds the impact on the yields and compensates the lack of forages for each head of cow.

➢ Inaccurate statistical information.

Another view is obtained through the study of the relation between livestock production per head (LPH) and and the forage production per head of livestock (FPH). The following model describes this relation:

$$LPH= -6.19 + 14.1 (FPH), \quad R2=59.6\%$$

As indicated, between livestock production in general and the fresh feed, there is a very strong relation, which is even important. In other words, increased amount of forages has influenced considerably on the increased livestock production and therefore milk production as its main part.

This result, which is somehow contrary to the result obtained from the comparison of milk yield with forage consumption per cow, implies any possible inaccuracy in the number of cows or milk production.

On the other hand, data indicated in the Table 5 and the above calculation, prove that:

- In particular, the dynamic of cow number and the milk yield is not so much in favor of sustainable development, because as the number of cows is reduced after 1996, the increase of yields fails to compensate since they are still under the levels before 1997..
- In general, the number of cattle after 1996 comes to a gradual reduction, but the production per head of cattle starts to grow during 1998, which compensates somehow the negative impact on production due to the reduced number of animals. Therefore, this dynamic is not quite in favor of sustainable growth.
- The falling forage production per head of livestock, may be the aftermadh of a low efficiency of forage production factors, beginning with the seed, water and production methods and other factors.
- The increased milk yields despite the fall in forage production may be an indicator of a better utilization of other livestock factors like improved breeds, improved feeding and animal health, etc., which are clearly in favor of sustainable livestock development.

One of the fundamental findings that resulted from the above analysis could be formulated like in following: "The agricultural development in Albania, despite the increase in production as an overall tendency, is rather unsustainable." This is demonstrated through the impact of some important factors in the increased agricultural production and sustainable development that could be easily undone by other factors. This is either due to the fact that those factors are weak, or the interaction with the other factors is not effective. In any case, the sustainable agricultural development is constantly under risk. Therefore, the sustainable agricultural development in Albania is "unsustainable" and whenever some degree of sustainability is achieved, it is vulnerable to the risk of instability.

4. Reasons for unsustainable agricultural development

Unsustainable agricultural development in Albania has its own reasons that constitute a set of arguments to explain it.

We think these could be classified in two groups: internal and external, always in relation to agriculture or agricultural sector.

- ➢ Internal factors:
- ✓ Lack of a scientific agricultural program;
- ✓ Unsustainable and vulnerable primary structures
- ✓ Lack of important trends in macro and microspecialization;
- ✓ Poor agricultural knowledge and information system;
- ✓ Institutional weaknesses in relation to management, analysis and control of agricultural problems.
- ➢ External factors:
- ✓ Unconsolidated political system;
- ✓ Inadequate financial support for agriculture
- ✓ Economic policies that discourage strengthening of agricultural producers;
- ✓ Ineffective legislation

Let's try to explain there reasons in principle and from the agricultural development point of view.

Firstly, the country still does not have a proper long-term program for agricultural development. It lacks the "agrarian ideology". How is this demonstrated?

1). Governments are trying to build agrarian ideologies based on their own political relevance. But the agrarian ideology, from this point of view, cannot deviate remarkably; the main principles of the agrarian ideology must be the same and they could be as such only when they are based on scientific programs. From the political point of view, Albania has had and will continue to have alternative governments but not key "ideological" principles for the country's agricultural development. This is the first serious sign of the lack of ab agrarian ideology that is also a sign of potential destabilization with the alternation of governments.

2). Concrete objectives for the long-term agricultural development, that are widely discussed and accepted and go beyond the mandate of a government, being broken down in several short-term objectives, still do not exist or they are only theoretical. Some of these objectives are:

- ✓ improved use of production sources in agriculture, such as land, labor, water, etc.
- ✓ consolidated ownership on land,
- ✓ increased average size of farms, etc.

Agricultural Land Market
Restrains And Possibilities

By:

Besnik Como

Mark Marquardt

1. Agricultural Land Privatization

The transition of Albania from centralized economy to market economy was accompanied of a rank of important reforms with the aim of privatization of state properties and the passage of owning rights in favor of individuals. One of the first and surely most important was that of agricultural land privatization.

Before year 1991 agriculture sector was one of the most important sectors of economy. At the time agriculture was giving 33 percent of net product of the country and more than 50 percent of population was employed there. Private property did not exist. Agricultural land was in use of nearly 400 cooperatives owning almost 5000 km^2 and agricultural farms owning almost 1600 km^2. The land law (7501) was approved in August 1991. According to this law, land was divided between agricultural families according to the number of persons composing them. The land distribution program was managed in decentralized way meaning that each Land Distribution Commission in village was deciding on the parcels going to be given to particular families. The District Commissions evaluated the procedures used by villages to control the conformity to law 7501. The result of land distribution and privatization in ex-cooperatives according to law 7501 was land fragmentation to almost 1.2 million parcels in favor of nearly

300 thousand peasant families. The owning documents (land-patent) were divided in name of patter familiae. Each document has more than a land parcel of different dimensions and placing.

On October 1992 was approved the Decision of the Council of Ministers no.452, authorizing the agricultural farms Directories to privatize the land in posses in favor of farms' workers. This Decision predicted also the privatization of all buildings and other annexes composing the farms. By this process was privatized major part of farms and was distributed land to almost 110 thousand families. In distinction to land law, farms' land was given in use and not in ownership. This caused plenty of these lands to be sold in irregular way and in most of cases to be used for illegal constructions in environs of most important cities of the country. For the improvement of lacks of this law, at the beginning of year 1996 was approved the Decree on land restitution from usage to ownership. On basis of this law could benefit even the persons that had contributed with their goods in state farms foundation.

Law on restitution and compensation of properties had effect in villages only in their urban areas, without affecting agricultural land. This law, made an exception, treated some areas beside cities that were declared touristic areas and in some specific cases. Privatization process affected also even forests and pastures areas of state ownership. Privatization was done according to the proper law for a part of forests and pastures surface which in the main part were restituted to the ex-owners. It must be emphasized that this process goes still on. Land privatization process was accompanied by numerous disagreements and conflicts between ex-owners and people profiting land according to the law. As result, in a lot of villages and provinces land is not divided according to the law and people that have land-patents do not possess respective land. Still today ownership conflicts continue, reflected everyday to Registration Offices.

On what aforesaid, simultaneously to land privatization reform, it came as a task the creation of a new registration system of immovable properties, able of giving accurate information on ownership rights as well as on all possible transactions related to them.

2. Agricultural Land Registration According To The New System.

Planning of a project on immovable properties began in year 1993, period that signs the beginning of compilation of the action plan on this purpose. Our country inherited from past different systems of immovable properties of various kinds. So, Cadastral Offices created on Turkish Empire registered agricultural lands.

The main document used by Cadastral Offices was the land register and later on the maps, mostly in a scale of 1:5000.

Meanwhile urban properties registration was made by mortgage offices, which registered ownership rights insisting on legal documents and ignoring graphical presentation of property surface and borders. The situation created during privatization process left out both aforesaid institutions. Cadastral Office turned to an institution confirming and giving ownership titles while mortgage often registered a property of one ore more owners who had ownership titles issued by different institutions. Meanwhile, cadastral maps became useless because almost 1.8 million parcels were created by privatization, while mortgage office was unable to evaluate the privatization schemes to be archived together with ownership titles. So it came to a critical moment requesting a new registration system of immovable properties, able to protect owner's rights, minimizing transaction costs of ownership rights transfer.

The new proposed system assumed registration of all urban and rural properties according to the same procedure, protecting private ownership rights and managing better public ownership properties. The new registration system is based on the parcel considered as basic unit. This system brings plenty of advantages because maintenance cost is lower while security is higher, meaning that there will be less disagreements and conflicts on land. Also the need of development of land information systems, agricultural land protection, urban development management etc. would be easier with such a system based on parcels. Properties registration system based on parcels is composed of 36 regional registration offices and a central office that coordinates and combines the work of all regional offices. These offices have some main functions:

Keeping of a land Register, every page of which represents a property tag and belongs to a particular land parcel. In the tag are registered also private and public rights on land.

Indicative maps show geographical position of properties according to the principle that every particular parcel responds to a register tag. Preservation and elaboration of all other legal documents reflect rights on immovable properties and create possibilities of their easier transfer.

Registration of agricultural lands according to the new system made to be registered today ___% of agricultural land, 90% of habitation apartments and 10% of other private properties. Till now registration system works according to the prevision about cadastral areas included in the system and continues the properties registration in urban areas as well as forests and pastures.

3. Agricultural Land Market.

There is an evidence of an increasing market of agricultural lands, evident on the notes of Immovable Properties Registration System (IPRS). The following discussion will present this information.

Two aspects should be taken into consideration. First, there are disposal statistics only for two years. Therefore these data can serve as tendencies indicator. Second, either land market or registration system are in their childhood. That is why reported numbers are relatively small. Increase of reporting percentage from a year to another can give a wrong impression on the changing scale. Continuous report during some years will present a better vision of these tendencies. Till now this information is firstly gathered for monitoring activities within IPRS. An outer request on this kind of information will assure it is gathered and reported in permanent and precise way.

Table no.1 presents a summary of all requests on property passage registration, including rents and sub rents of last two years, registered in IPRS offices in the whole country. Property passage would include sales and heredity, donations etc.

or, some other objectives could be:

✓ increased income and employment opportunities in agriculture,

✓ structural relations aimed by agriculture in medium-term and long-term,

✓ identification of country's comparative advantages

✓ what problems will be fully resolved or what will be reached at short, medium and long-term

3). The political and economic instruments that would enable achievement of set objectives, although identified, they are still evasive. For example, at what rate will the agricultural credit be used by farmers, what will be the estimated impact of public investments over the years in the rehabilitation of agricultural infrastructure; assignment of funds, identification of projects and programs that will be implemented are not the only important aspects since their impact needs also to be taken into consideration; how will the Albanian exports be promoted; what will be the monetary policies and their role in achieving the objectives; what will be the fiscal policies in relation to the agricultural sector and how are they expected to affect the achievement of objectives; how will the agrarian markets be developed and what policies could be implemented to this purpose; what will be the development policies at farm level; what institutions need to be created or strengthened. These and other other issues are expected to be better studied and addressed in the future.

4). In the conditions of our country, which has just been opened to the world under new economic conditions, it is clear that we lack the experience and necessary knowledge in the economic field; therefore we need careful studies

Secondly, the ownership structure in the Albanian agriculture is, at this stage of development, unfruitful. Small farm size and its extreme fragmentation are two of its main characteristics. Due to these features farm production and some elements of economic environment are not utilized maximally. For example, the effective use of water, agricultural mechanization, specialization, advertisment, bank access, etc., are limited for the small and fragmented farms. Therefore, they are weak and more vulnerable toward macroeconomic and political fluctuations making the agricultural development unsustainable.

Thirdly, specialization trends at farm level and agricultural zones are in some areas very slow and in some other areas they are absent.

Antieconomic situations usually prevail at farm level where specialization is difficult given the degree of diversification in agricultural production. There is a slight trend toward specialization in vegetables and milk production, or fruit production in the north-eastern area. However, even in such cases business dimensions are very small and effects of the small property cannot be avoided. At macro level, there are some non-economic trends like reduction of vegetables in the western plains and even an increase in wheat production in this area. There are no clear trends and the comparative advantages of the country are not clearly identified.

Fourthly, the system of agricultural knowledge and information is still weak. In other words the range of institutions and organizations that produce, adapt and disseminate knowledge, technologies and agricultural information, are still weak. In particular we would like to mention in this case the research institutions in the field of agriculture and agricultural information agencies. They lack the necessary technical, logistic and financial capabilities to support agricultural producers throughout the country with selected seed, agricultural technologies and advice along with diverse, accurate and plenty of economic and commercial information.

Fifthly, the agriculture leadership should and must pay more attention on: macroeconomic analysis, monitoring of market trends, the pace of agricultural and economic policies especially those based on scientific studies, evaluation of economic impacts of followed policies, analysis and justification of development projects, etc.

Sixthly, we think some policies do not support strengthening of farm economies and therefore agriculture. Such policies are reduced customs fees for some agricultural products and inputs like seed, vegetables, fruits, etc., or maintaining the exchange rate at high levels almost artificially in the context of policies for economic macrostabilization. Such policies promote effective restructuring of agriculture in the long run. But in short and medium term, they exacerbate the economic situation of Albanian farms and keep the competitive capability of local products at low level. In this view, they do not promote the strengthening of the agriculture system and they contribute to the unsustainability of agricultural development.

Lastly, the inadequate financial support for agriculture. Hence, although in absolute value, investments in agriculture have been increasing constantly. From the sectorial point of view, two phenomena draw our attention: the low percentage of investments in agriculture (16 percent of the 2000 budget) at national level in relation to its weight in the gross domestic production (53 percent in 2000); drastic reduction after 1996 and the current lack of almost all investments in the form of direct agricultural credits.

5. Main conclusions and recommendations

Based on the above analysis, the following conclusions and recommendations can be made:

a) During the period 1992-1999, the agricultural development in Albania has not been sustainable. During the period 1992-1996 and 1998-1999, agricultural production has developed at a positive pace. During 1997 the production fell drastically disturbing the normal performance.

b) Some important production factors like agricultural land, fertilizers, forage production, water, seet, etc., are not beein used effectively. Therefore, their impact on production and overall agricultural development, is not evident, it is not important or is of a doubtful nature. This inefficiency in the utilization of production factors is the cause for the unsustainable agricultural development, which becomes evident during periods of political, economic and institutional crisis.

c) Main reasons for unsustainable development are mainly the weak ownership structure, inefficient political system, relative reduction of direct financial support for the Albanian farmers, the weak system of agricultural knowledge and information system, some obstructing policies on agricultural development and lastly institutional weaknesses in agricultural management.

d) Increased degree of sustainability in agricultural production is related to significant improvements in increasing the amount and efficiency of production factors in agriculture and particularly the land.

e) There is a considerable need for undertaking more comprehensive studies on the real assessment of the efficiency in utilization of agricultural resources in order to develop more effective laws and policies.

f) The agriculture share in public investments must be increased substantially, of course not as much as to equal its contribution to the country's GDP. There are many reasons for that, but the most important is the fact that agriculture supports country's development and it will be the ground for the development of other branches like processing of agricultural and livestock products, that will be the face of the Albanian economy in future.

g) The strategy of the long-term agricultural development should necessarily reflect recommendations emerging from studies and scientific research that are first of all justified and accepted by the overall scientific opinion in the country.

Table 1: Requests for registration of property passages, rents and sub rents

Month	1999 Number	2000 Number	Increasing %
January	285	832	191.1
February	303	961	217.2
March	390	828	112.3
April	405	911	124.9
May	381	893	134.4
June	422	594	40.8
July	468	551	17.7
August	509	976	91.7
September	327	936	186.2
October	910	889	-2.3
November	145	743	412.4
December	118	958	711.9
Total	**4663**	**10072**	**116.0**

As evident by the table there is a sensible increase in the number of these registrations during last year. While there is variation between months, general tendency is an increasing number of registrations with an annual increase of more than 100%.

Table no.2 presents a completion of the aforesaid information: agricultural land sales number.

Table 2: Number of Agricultural Land Sales

	1999	2000**	Increase %
January	738*	299	-59.5
February	157	305	94.3
March	262	371	41.6
April	226	290	28.3
May	262	305	16.4
June	111	256	130.6
July	189	260	37.6
August	212	140	-34.0
September	273	294	7.7
October	281	382	35.9
November	256	315	23.0
December	295	307	4.1
Total	3262	3524	8.0

*Some offices report an extraordinary high number of transactions in January. Tirana Office reports 576 transactions. These are accumulations of last year.

**Some districts have presented no transactions reports of year 2000, more apparent this in Elbasan and Durres.

Except months January and August, in all the other months there is an increase of sales number. The wide variation of increase can be partly explained by time of report of these statistics by registration offices. Table shows an increase of sales number of just 8% between years 1999 and 2000.

Although, if ciphers of year 1999 are altered for month January, using just the average number of sales in Tirana, for the period February-December 1999, the total would be approximately 2850. In similar way, some arrangements can be made to the ciphers of year 2000. In year 1999, Elbasan and Durres represented 6% of total sales reported. If a similar relative percentage were used to reflect the calculation of their sales, the sales of year 2000 would increase to 3700. All these arrangements would result in an increase of sales percentage between years 1999 and 2000 of approximately 30%, which is comparable to most of specific months in the table.

What is more interesting and demands further investigation is the comparison of table no.1 and no.2. Using the arranged ciphers presented in the aforesaid paragraph, sales of agricultural land of year 1999 present nearly 60% of the requests for registration of ownership passage, rents or sub rents. During year 2000 this percentage was reduced to less than 40%.

Although there are a lot of possible explanations, no one can come to conclusions considering the limited quantity of information at possession. A more detailed study on registration offices information can give some indicators if there is a significant change to the kinds of properties that are requested to be registered. Statistic report structures are in their childhood. Incorrectness and unsteadiness within data completes can rudely distort the vision when somebody compares just the two years data.

Other transactions (not sales) could include passages of heritage, donations, land exchange and renting. First, heritage brings no land market complications but to other categories, passage means the land is passing from a hand to another. Donations and land exchange are mostly used as a mechanism of avoiding payment of passage fee. Rents would show a lack of will of the existing owner to sell the land and alienate it, but also a will of letting somebody else to use the land, the one that needs it. In a short period, as will be seen later, it can be the kind of transactions expected to happen.

Table no.3 presents further information about agricultural land market: average price of sold land.

	1999 (000 leke)	2000** (000 leke)	Increase %
January	1.235*	1.197	-3.1
February	694	1,092	57.4
March	600	2,552	325.1
April	613	1,207	96.8
May	559	897	60.4
June	650	957	47.2
July	580	1,080	86.0
August	664	2,215	233.8
September	590	1,224	107.3
October	591	930	57.4
November	579	730	26.2
December	479	813	69.7
Average Price	736	1,218	65.4

*Over report in some districts, more evident in Tirana (see above).
**Non-report of some districts, more evident in Elbasani and Durres.

Data of this table show a significant increase of reported values of sold land and a higher level of variation between months in relation to price. It is reported that there are higher prices paid on the following months of the beginning of year and the end of summer. Both periods correspond to the seasons when Albanians employed abroad come back home.

This table does not take into consideration the size of sold land, which has obvious effects on its price. Average size of sold land is relatively constant during two years, on the average 2189 m^2 in year 1999 and 2155 m^2 in year 2000.

Table no.4: Average Price of Agricultural Sold Land on m^2.

	1999 Price on m^2	2000 Price on m^2	Increase %
January	474.2	987.9	108.3
February	297.0	734.7	147.4
March	337.6	1019.2	201.9
April	263.7	466.9	77.1
May	331.6	374.2	12.9
June	272.5	447,8	64.3
July	204.4	482.2	135.9
August	340.4	569.1	67.2
September	299.3	573.7	91.6
October	288.9	509.2	76.2
November	259.7	344.9	32.8
December	271.6	354.1	30.4
Average Price	336.4	565.0	68.0

Table no.4 presents the average price on m^2 of sold land. Anybody can notice again an increase in value of sold land. This analysis will also show that sold land value is 3.364 million leke per hectare in year 1999 and 5.65 million leke per hectare in year 2000. This price is obviously much higher.

Sold Land position is critical to the explanation of this information about price. Although, while these data are actually not in possession, it is suspected that most of these sales of agricultural land reported are in areas of corridors and periphery of urban areas. In these cases, while land is identified as agricultural land, sales price reflects a change of agricultural land into nonagricultural uses of land. The non-formal information of

General Directorate of Roads shows that these prices are in conformity to the payments of expropriation that are actually done for example for road construction.

To have a better position of monitoring a land market in development it must be done a further investigation in order to divide these categories of land. This could be done changing the structure of report of data coming in IPRS. While there is no request to report proposed change in land use, when land is bought and registered, it is possible to categorize land through its position, determining an annotation criteria in the registration offices for a certain distance from roads or urban peripheral centers, for example within 100 meters of the existing or planned road and 500 meters of existing residences. These can be arbitrary valuations but can serve as an indicator of possible changes of land use. After that, two kinds of statistics may be collected, one within these areas that are supposed to be designated to change to non-agricultural use of land and the other out of these areas that are supposed to remain in agricultural use. The development of such information data basis would give a better view of agricultural land market development.

4. Restrains Of Agricultural Land Market Development.

Restrains can be divided into two main categories: economical and institutional. Economical restrains have two components, ability to collect capital for land purchase and transaction cost. Institutional restrains are the one accompanied by individuals or families capacity to enter a land transaction. It would include agricultural family definition issues. It may include also a general objection on land sale.

a) Economical restrains (Credit access)

In most of western countries ability of land purchase depends on capacity of a person to gather capital through different credit mechanisms. This implicates two basic institutional structures. The primary is a property registration system identifying who is the property owner in order to assure the purchaser he is buying the property from its legitimate owner. As previously said, this institution is founded in Albania and will assure that security level after finished initial registration of properties in a particular area.

The second requests a lending institution that has fonts of giving such credits and will to accept land as collateral to a lend. Credit institutions want to minimize their risk in such activities. An insured title is a minimal request of loan. It can be based on requesting payment of a certain percentage of property value as an under payment of property purchase. Otherwise, bank will not lend money for the entire price of property purchase, but just a percentage and will ask to the borrower to cover the difference.

Credit institutions will protect their interests examining client's credit validity. They will also prefer to have the capacity to get back their loan, if their client is not able to. Credit institutions do not want to become landowners. Their objective is to get the lent money back. If loan on a property is not paid back, credit institution must be able to search the property and sell it later in order to get back its investments. This implicates a capacity to sell the land to the highest price offer that has no relation to the identity or origin of the purchaser. Credit institution should not get impeded to do this. Actual law in Albania on urban properties determines that the previous owner should keep a room. Such a request would do the property less desirable to a prospective purchaser. It also does not consent to the bank the required sanctions in order to encourage borrowers to pay back their loans.

In similar way a credit institution lends money to generate profits in order to cover its actions costs. The amount of interest on a loan during its period, not only will ensure that loan will be paid back in time, but it will also cover loan administration costs. Loan of agricultural land purchase may bring more administrative costs to the bank that legitimate value of property.

b) Transaction costs

Transaction costs reflect costs included in property sale and purchase. These costs are direct costs (tariffs and taxes on transaction) and indirect costs (these costs result in transactions execution and may include travel and time costs). They have a significant influence on evolution of a properties market. If costs are very high, there will be few stimulations to market participation. A recent study in Kamez has shown that there exist a significant number of legal landowners that have not registered their transactions because of high tax of passage. Such high costs may push away peoples from market and encourage non-formal basis of transactions. To a registration system, existence of a high number of such non-formal transactions compromises the entire system and sends it soon to its collapse.

Table no.5 presents actual structure of tariffs and taxes on land passage. There is done a more detailed presentation of land purchase, while other kinds of passage are just reported as total costs. There are three kinds of costs: passage tariff, stamp tax and passage tax. The first two are settled on and are the same to most of transactions while passage tax differs according to property value. Notary fees were sensibly increased in month of January while IPRS is considering the increase of its tariffs.

While on first view these tariffs seem to be extremely high, compared to reported prices of sold land, they are not unreasonable. This is an example where further investigation of sold land category and location is critical. Transaction costs of the value of 13'500 leke, adding passage tax of land estimated on an average value of 5.65 million leke per hectare are not so unreasonable. Anyway, if land is estimated to 30'000-45'000 leke per hectare ($200-300 per hectare), these costs are extremely high. Even on 100'000-150'000 leke per hectare these costs would be high while considered that most of agricultural land parcels are of a size of less than half hectare.

Institutional Restrains.

Agricultural Family

Over 80% of agricultural land in Albania is given to agricultural families. This land is registered as family land, in name of patter familiae as its representative. Wheeler arguments in a report that "actual procedures upon which is requested to agricultural family to make a ownership passage according to law no.8377, date April 30, 1998, article 5, are not helpful to a easier implementation and that is why they hide the emergency of an efficient land market."* So, while article 5 inquires family members to authorize patter familiae to sell any land of agricultural family, according to Wheeler, the further article affirms "family that sells the land must present a certificate of family members at the passage moment."

It goes on further with presentation of some issues related to this process.

Some notaries interpret this sentence just for those family members registered at Civil State Office at the moment of property passage to the family (for example, at the moment of land distribution according to law 7501). Other notaries consider this phrase as used for family members registered at Civil State Office at the moment when sale is concluded. Further confusion comes because of agricultural land definition given at Civil Code (article 233). It is defined that "an agricultural family is composed of persons related by kin, marriage, adoption or through recognition as family member." This definition includes a very wide group of people and so requires high costs of transaction for registration procedures and obligates also the family to get the signatures of all family members before a transaction. Furthermore the definition seems totally arbitrary on context of agricultural family structure today.

This, according to Wheeler, brings the following results:

Civil Code definition of family does not fit to the general view of agricultural family composition. Its enlargement makes quite impossible the passage to happen, because all agricultural family members, as defined, should be able to gather at the passage, and it becomes impossible because of emigration.

Family members, present at land distribution moment usually cannot be identified according to the civil state register, because distribution procedures are not often referred to the register.

Transaction	Steps Description	Tariff (Leke)	Tax duty (Leke)	Transfer Tax (Leke)
1. PURCHASE	1. The owner (seller) asks **a copy of the Index-card and Indicative Map** to the district IPRS office	Index-card: 400 Map: 400	50 50	
	2. The owner (seller) asks a **copy of the civil state certification** of family members and verification **by local government**.	Certification: 120 Verification: 2-3,000[1]	30 1000	
	3. Both parts go to the notary to finish the **contract** (usually it is paid by the purchaser). If there are not present all the family members to sign the contract, the seller should have a **proxy.**	Contract: 3500-150000[2] Proxy: 3,500	150 300	0.5-3 % of the value stated in the contract for private individuals
	4. The contract and other documents are sent to IPRS for **registration** and issue of **a new ownership certification**- paid by the purchaser.	Registration: 1500 Certification: 400	100	
	1. **TOTAL MINIMUM EXPENSES**	**11'820 leke**	**1680**	
2. DONATION		**11820[3] leke**	**1680**	
3. EXCHANGE		**11820[3] leke**	**1680**	
4. RENT		**11820 leke**	**830**	
5. MORTGAGE		**5700 leke**	**1450**	

From K. Kelm, LTC/UW

[1] Individual communes define the verification price by themselves. Approximate price is 2-3 thousand Leke.

[2] On January 15, 2001, the Ministri of jusitice approved new notary tariffs. Notary tarrif for stipulating a property transfer contract depends on the transfer value.

Identification of family members according to civil state register at the moment of an expected sale faces with unclear state of information about family composition in lots of civil state registers.

Finally, who is responsible of entrance in a land transaction in name of agricultural family? The higher the number of individuals included is, more expensive becomes the process in relation to time, organizational questions, documents request etc. The continuous discussion on this issue is essential to assure minimization of these "institutional costs", while at the same time it exists the security to protect family from transactions undertaken by individuals without approval of other family members.

Land Market Participation

A final consideration is that on interest in land market. It has been argued that actually there are not many requests of selling agricultural land. It comes to conflict with the fact that there has not been private ownership on land before year 1990. Land reform and registration process gave to most of rural population for the first time, ownership on private properties. We would argue that actually might not exist high interest on sales because purchasers would profit very soon ownership rights. Perhaps, a possession period may be required before an active land market evolves. At the same time rural population has passed through a dramatic transformation during last decade. There has been a massive migration within Albania from rural areas to urban ones and emigration abroad as well. There existed a primary collapse of agricultural sector that just recently has shown strong signs of reanimation.

Further researches may be undertaken on these lines after we have evidenced what kind of lands are sold and what kind of transactions are registered. As seen above there is a significant number of more transactions registered than actual sales. What are these? Heritages? Donations? Rents? A high number of rents may show that immediate land market will take the form of a temporary passage but not permanent alteration of land. It may be in accordance to aforesaid argument.

Conclusions:

This report intends to reflect a short summary of agricultural land market evolution in Albania. It offers a background of agricultural land registration, presents statistics on existing evidence of market evolution and raises a rank of issues related to the restrains toward this market.

"Land Market and Related Problems" Further than the Transition

By:

Prof. Dr. Yllson MANOKU

Universitety of Korça

1. Introduction

During the process of reform toward a developed market economy, actions affecting the land generally and the agricultural land specifically are of interest and a subject of special attention.

This can be explained, among others, with the following arguments:

Firstly: The right of owning land as a space and production basis and all related rights such as the right to sell and buy, rent, inherit, donate, etc., is one of the fundamental rights of man. Ignoring of this right for 50 years, may be one of the fundamental reasons for the prolonged social-economic crisis of our country.

Secondly: A considerable part of population in our country is involved directly and indirectly in relations with the land. This implies that the most acceptable selection by them will create a positive economic and social climate.

Thirdly: Land is after all a national asset with uncomparable dimensions and multiple uses. Proper use of land is a prerequisite for the economic and social progress of the country.

Fourthly: The use of land for agricultural and non-agricultural production, duration of use etc., turn the land into a prerequisite for the existence of future generations, being at the same time an indicator of the degree of their emancipation.

Because of these and many other arguments, every nation will percieve the land in many aspects, both natural, economic, social, legal, etc. The economic reform undertaken in our country by the beginning of nineties has aimed at establishing adequate relations with the above arguments.

During the period 1992-1995, which can be considered as the first stage of the land reform, a new structure was created in relation with it. Fundamental characteristics are the private ownership, rent, etc. Land privatization in our country has been faster than other East European countries. At present, over 90 percent of the arable land is privatized.

The current stage of the land reform has brought at the center of attention the shift toward economic methods of land management, emergence and overall functioning of land market, effective protectopm of the right on land. Policies expressed through the legal acts passed over the recent years have served to this goal.

2. Land market creation practice.

Certain aspects of land market are not new for the older generation. Prior to the Land Reform during the second half of fourties, selling and buying of land, renting through different ways, mortgaging, etc., used to be routine procedures that judged at the time where they took place, they had an admirable regularity which is mostly praised during the transition period for resolution of ownership disputes. This is of course a positive experience, but it should be admited also that the lack of such experience for about 50 years and new conditions created after land privatization have revealed a series of problems and developments. Speaking about the land market over the recent years after the acknowledgement of the right to sell and buy, three segments can be identified according to the object of sales and behavior of sellers and buyers.

First segment. The sale of a small part of arable land mainly around the house. The sale of house was the main objective during the transition. Value of land was included in the total price. This segment was very much developed especially in the beginning as result of massive migration from remote rural areas to the plains and from the plains to urban areas. This segment tends to be reduced. During the priod January-April 2001 about 16 transactions have been recorded with a total area of 2 hectares.

Second segment. This segment of the land market relates to the purchase of land to construct business facilities mainly of non-agricultural nature.

It is very well developed around urban areas and near national roads. During the period January-April of this year in Korça District, 108 transactions have been recorded with a total area of 18 hectares. This segment is expected to develop even in future.

Third segment. This segment represents the market where the agricultural land is purchased to conduct agricultural activity. This is the segment with the poorest development. According to the data from Korça District, during the above period about 12 transactions were conducted with a total area of 2 hectares. This segment is of interest, not only because it may be involved in the circulation of a considerable area of land, but it would create conditions for an effective technological process through an increased average farm size which until now is about 1.2 ha, or the smallest in Europe.

The land market for use in the agricultural business may be analyzed as the total of two offers: temporary offer and normal offer. The temporary offer implies the sale of land to encounter a moment and later may be not the same plot. This market is similar to the livestock, mechanization market, etc. The normal offer is related to the sale of land as result of interruption of activities by the owner.

By analyzing the above three segments, we think the second and third segments will remain in future.

3. Problems of Land Market Development.

The ownership on land continues to take special place in the fundamental social-economic theories. They will reflect general and specific human interests that are short and long-term. The land market, as an important element of these relationships is as mentioned earlier, poorly developed. There are many reasons for this situation but the main ones are presented below.

There are still unresolved disputes with regard to ownership on land. Said differently, such problems are related to the law on land. The land market from the social point of view, as an economic mechanism for redistribution of land, population of our country can be divided in two main groups.

The first group is comprised of ex-landowners who were expropriated during the Agrarian Reform and people who did not receive land according to the reform. This group is against establishment and development of a land market, especially its sale. Although in a relatively small number, it expreses certain interests that are also supported by some political groups. In principle, they are against the law on land distribution.

The second group is comprised of land owners who have benefited the land without compensation through the Agrarian Reform. This group considers the land market, as an opportunity to circulate the land and therefore is not against the land market and generally supports the law on land.

Currently, a wide discussion is being developed on different approaches on resolving this problem. Such discussion becomes even more intensive especially during political campaigns. Different alternatives usually express in general the standing of the groups described above. Two of the alternatives are more remarkable:

➢ Review of the law in order to let ex-owners receive the land that they used to own before the Agrarian Reform, which is not provided by the current legislation.

➢ Keep the current law unchanged. Ex-owners would instead be compensated in cash or in kind allowing them to have some state-owned land. The price in this case must be acceptable by both parties.

To our opinion, trying to avoid political, economic and social arguments, the second alternative is more viable in balacing interests of different groups.

The legal framework on selling, buying, renting and mortgaging the land has not existed especially during the first phase of the Land Reform.

The relatively low economic level of farms limits opportunities for serious investments in agriculture. This is exacerbated by the lack of credit. According to surveys, about 60 percent of the farmers need ccredit, 19 pecent do not need credit and 21 percent cannot decide. Furthermore, about 60-65 percent of farmers who need credit, admit that the banks were not ready support them. It is understandable that the banks have their own arguments for this. However, improvement of the banking system on one hand and the establishment of farmers' association on the other, would create better opportunities for crediting farmers.

The low economic development of our country is another serious obstacle for the development of the land market. The normal offer cannot be promoted when other sectors outside farm production offer better employment opportunities and higher income. According to a survey conducted some time ago, about 74 percent of farmers are not willing to sell the land, as they still do not have any better option to secure income. According to them, the land would not make them rich but would provide a certain level of income.

In many areas of our country, land is not divided according to the law. The questions is how will this reality be faced? The answer is very difficul and would require maybe a case by case study.

Final resolution of ownership on land is directly related to another aspect of its market, namely to the permission to sell or not the agricultural land to foreigners. Because many economic interests are involved (like promotion of foreign investments, national interests, etc.), solutions in other countries of the central and eastern Europe are different. Generally, they have been in support of national interests.

As often reiterated, the land market would create real opportunities for an effective use of land. But on the other hand, we think the monopoly trends of local character must be avoided. This problem in conditions of our country should be addressed carefully for two reasons: i) the high percentage of village population; ii) the limited area of arable land.

The experience of other countries expresses a trend toward limitation. In Slovenia for example, a control of "unjustified" land purchase is required, in Hungary one individual or a group of individuals cannot buy more than 300 hectares. In our conditions, this can be accepted for a range of 50-100 hectares.

To create a full concept of the land market, it is necessary to start by expanding the land renting. The legal package prepared by the Ministry of Agriculture and Food on the renting of state-owned lands by regulating relevant relations is to be appreciated, despite a few minor problems emerging during its implementation. We think a legal act to regulate renting for private land would be necessary.

Finally, the land market would be better promoted through the establishment of an automatic information system. Such information system on the land market would serve to implement the following tasks:

➢ For the state agencies and research institutions. Establishment of a database for a continuous exchange of information related to land market components like offers, price and its formation, activity of market subjects, level of different taxes, purpose of sale and purchase, regular registration practices, etc.

- For the banks and mortgage offices, investing companies, insurance companies, etc. Provision of an analytic information related to real pricing per unit of land area, trends in the value of land during the period when land is mortgaged, etc.

4. Perfection of the Cadastre System and the Land Market.

In addition to the information system, an important part of land market infrastructure is the cadastral registration system, which in cooperation with the office for registration of immovable property would strongly support the ownership on land, registration of all transactions, actualization of cadastral maps, etc.

Registration of the right on land strongly connected to it as an immovable property would be an important instrument for the government to control relations in the land market system. This right emerges from the constitution which considers the private ownership on land a not absolute. Of course, I am not taking the responsibility to analyze the activity of the cadastre, but I am still concerned by the fact that we are continuing to work with the land structure before 1990. Considerable differences exist between the data of the cadastre and the records of the INSTAT.

In the worldwide practice, the registration of the right on land is very common. This system requires a lot of time and money. Its advantage is the fact that the state becomes warrant of the ownership on land.

The system for registration of land rights in the general framework of immovable property, does exist in our country according to the law of 1994. The work of this institution is increased from year to year becoming a function of land market development. The positive fact is that since January of this year, this institution has a structured information on transfers of land ownership. However, we think the cooperation with the cadastre needs to be institutionalized to better reflect changes not only on ownership but also on the overall land fund, which to our opinion is not at the due level.

When speaking about land, the fundamental principles that need to be strengthened and implemented rigorously, are:

- Registration of the right on land and its immovability, must be carried out simultaneously by the relevant state agencies.

- The absolute right on land must be ruled out.
- The state and only the state has the right to proof the right on land through special titles (act, certificate, title, etc.)
- The right of ownership on land will at the same time include two groups: the individual right (of possession, use, mortgaging, donating, etc.) and the common right (taxes, control of the land use, etc.) We are all aware of the fact although some of these principles have been legalized, they do not work. For instance, leaving the land uncultivated for a long time, etc.

Looking the problem from this point of view, it is clear that through the registration of the right on land, the state is not only organizer but also responsible. This must be made clear to citizen through different ways in order to increase their responsibility to properly manage this asset with unical characteristics.

These were some opinions on the land market seen from the necessity and problems point of view. Normally, new problems will emerge once the market will start operating normally.

In resolving such problems, social, juridical, economic and national aspects will be taken into account.

Abandoned lands and erosion control policies

By:

Prof. as. Maxhun DIDA

Director of Forest and Pasture Research Institute

1. Background

There is an item on the land fund called "abandoned" land. The reform for the land distribution according to the law (about 50'000 ha of the state and 10'000 ha of the agriculture co-operative fund) caused several special land units, almost in every district, to be refused by the farmers (neither in use nor in ownership). These lands were refused considering they situation with low productivity and not suitable for planting agricultural crops if not with high costs. Before eighties there were more then 300 thousand ha of forests transformed in agricultural land (for fruit trees, etc).

By the Law No. 8312 of 26.03.1998, abandoned lands are under the administration of local government.

As a small country with a limited area of arable land, we have not too much to refuse. Our territory has to be evaluated as much as possible aiming at a good stewardship regarding the land by giving it more then we get.

2. Study Material and Methodology

This study consists on assessing the situation of abandoned lands, reasons of abandonment, their vegetation and existing land use, etc. In general, we are focused on studying the vegetation and environmental impacts on soil erosion and biodiversity.

Vegetation data are taken from forest management and inventory plans and maps in scale 1:25'000. Land use is classified using the following categories: forest land, pasture, arable land, rocky land and water.

The study shows the consequences of abandonment for the agricultural land as well as for the forest and pasture areas used without any technical criteria, where the soil erosion phenomenon is more evident. Besides, the policy for soil erosion control is based on existing experience of planting forest and pasture species as well as medicinal plants.

3. Results of the study

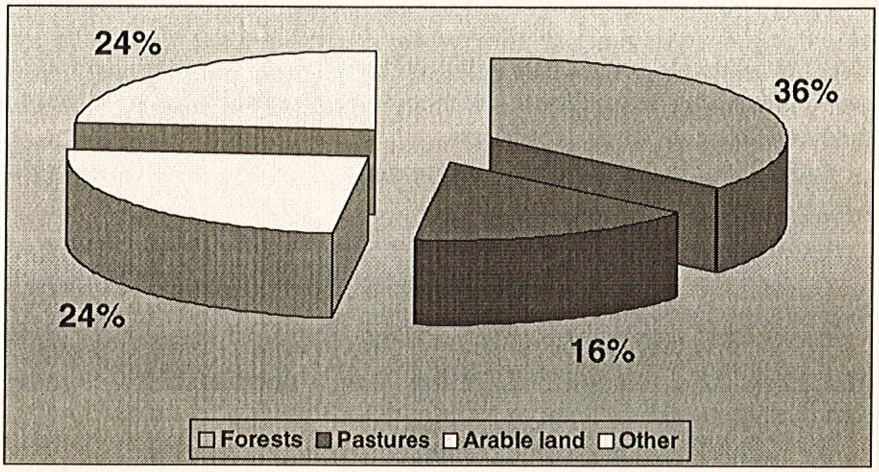
According to the law, about 120 thousand ha of land are given to local government for administration but only 60'000 ha are refused lands (see table 1).

Districts as Berati, Librazhdi, Mati, Vlora have more then 5'000 ha refused lands; Gjirokaster, Kavaje, Kolonje and Lushnje, about 3'000-5'000 ha; Devolli, Dibra, Fier, Malësi e Madhe, Peqini, and Tirana about 1'000-3'000 ha. Districts of Korca, Kuçova, Laçi and Shkodra have no refused lands and the other remaining districts have about 1'000 refused lands.

What is the other part of the land, given in administration to local government used for? The field surveys show examples, as in Krume, Kukes, Voskopoje, etc, of these lands not used at all and left fallow and affected by soil erosion.

Forests, 16 % pastures, 24 % arable land and 24 % water and rocky areas cover the Albanian territory at 36 %.

Figure 1. Land use categories (%)



Land abandonment is followed by ecological impacts as soil erosion, biodiversity risks, landscape damages, etc. Also, increased level of eroded land every year assisted by geographical (hilly and mountainous terrain with steep slopes of 20-40 %) and climatic conditions (about 2000-2100 mm rainfall per year), is the potential basis for soil erosion.

Level of superficial erosion is related to the level of vegetation cover and slope. So it is necessary the evaluation of abandoned land and formulation of policies against soil erosion.

Soil erosion has caused the filling up of water basins (lakes, reservoirs, etc) more quickly, thus influencing their capacities and their lifetime period. Also, floods are more frequent as in Zadrima, etc.

Refused arable lands are of low quality and characterised by soil erosion and sedimentation. Different type of land use for agriculture or arboriculture provides good examples sustainable practices for vegetation rehabilitation in abandoned lands. On the contrary, cultivated lands result in high biodiversity of plant and animals habitats.

It is interesting to study the landscape situation of the abandoned lands before their abandonment. This is done through catastal maps, vegetation studies and other documents related to fires or other damages influencing these areas.

Good contribution and information for elaborating a landscape management strategy and forecasting measures for soil erosion control is received by personal contacts with and interviewing of people around abandoned areas, experts, farmers, etc, regarding abandonment causes and ways for their rehabilitation. Helpful information is given by communes and municipalities regarding use of resources, chemical fertilisers, grazing and needs for fuel wood supply.

Land abandonment cause enormous effects on the ecological system as well as human's life, as:

- Loss or reduced crop diversity and traditional land use forms.
- Reduced number of plant and animal species, including common, local and rare species.
- Damaged landscape mosaic of a good structure (crops, trees, forest and pasture) to a monotone structure with fire affected forests or eroded lands with no vegetation and no care.
- Loss of several plant and animal species.
- Reduced scenic beauty of the landscape.
- Soil erosion in general and deep erosion (down to the bedrock) of agriculture lands on slopes in hilly and mountainous areas.

Recently, field surveys in refused lands show enormous cases of soil erosion and even some dramatic cases of deep erosion (completely eroded soil down to the bedrock). As in fallow lands in Voskopoje, Korça district, Krume and Fajze, Hasi district, Cernice, Tropoja district, etc, which formerly used to be oak and beech forest areas. Knowing the low productivity and quality of these lands farmers refuse to plant crops on them.

By contacts and interviews with farmers, agriculture and forestry experts, teachers, local government representatives, etc, in different district the result was that 78 % of them thought the best way for rehabilitating these areas is using forest species, 49 % using pasture species, 30 % using oil-etheric plant and 15 % using agricultural crops.

In Albania there is a good experience in the rehabilitation of naked fallow eroded areas by aforestations using domestic or foreign species. Farmers and experts know less on planting and using oil-etheric or pasture species, thus it is necessary to include these topics in future extension programs and support with investments for planting, irrigation, etc.

Assessment and rehabilitation of abandoned lands through vegetation installation highly reduce the level of eroded soil. The level of eroded soil is different depending on bedrock formation, slope, rainfall and vegetation cover. On calcareous formation (data of 1985) about 0.1-0.6 m/ha/year is eroded, on ultra-basic formations 0.1-0.9 m/ha/year and in flysh 0.4-51.9 m/ha/year.

Therefore, it is necessary to asses and rehabilitate refused lands as soon as possible starting with flysh and then ultra-basic and calcareous in order to increase agricultural and dairy production and control soil erosion.

Experiments and surveys show a higher level of water caused soil erosion in naked areas compared to those covered by vegetation.

4. Conclusions and Recommendations

Farmers refuse to use these lands because they know their low productivity of agricultural products. At the other hand, they have not enough knowledge and experience on using other species (forest, pasture or oil-etheric species).

Thus, the assessment and evaluation of abandoned lands requires the elaboration of a strategy for their management, rehabilitation and soil erosion control.

- First, a natural development of the landscape structure with little human influence is required. So, the forest will grow up and will diminish the multifunctional role of agroforestry.
- Second, an active human role on forest and agricultural species distribution, especially in abandoned land and open forests, is required combined with complex biological measures for soil erosion control.

Modern management will enable emergency measures for preserving ecological and genetic biodiversity.

On a short term, planing vast reserves for wild fauna will provide a long term positive protection by planting forest, fruit or agricultural species.

There is an emergent need for complex studies on the situation and rehabilitation approaches for abandoned lands in Albania and their important landscape that preserve indispensable genetic resources necessary for agricultural products, biological biodiversity, water quality, erosion, etc.

Abandoned land rehabilitation strategy consist on restoration of agricultural, pasture and forest species habitat and on designing rehabilitation studies that promote plantings.

Extension support on good examples of forest or medicinal species planted in abandoned lands followed by social economic assessment and marketing information regarding medicinal and oil-etheric plants.

Usually, NGO-s, especially environmental ones, can design their own project on issues related to local or central government awareness on assessment and rehabilitation of abandoned lands analysing consequences of their abandonment.

There is need for formulating supporting policies for farmers as well as giving it for free for a certain period.

Initiation of crediting on acceptable interests for investment on abandoned lands.

5. Literature used

1) Almo, F. - Land abandonment and effects of fauna in the Northern Apennines (1992)
2) Nakos, G. - The land resources survey of Greece (1985)
3) Gonzales, B. F. - Ecological Consequences of the abandonment of traditional land are systems in Central Spain (1993)
4) Bunce, R. G. H - Ecological implications of land abandonment in Britain, some comparison with Europe (1993)
5) Dida, M. - Agricultural Science Bulletin,Nr.3/1995
6) Dida, M. - Agricultural Science Bulletin,Nr.9/1996
7) Dida, M. - Agricultural Science Bulletin, Nr.10/1996
8) Dida, M. - Report on national Extension Service
9) Dhimo, K. - Report on situation and main on forest and pasture resources.
10) FPRI - Report on soil erosion development.
11) FPRI - Management and inventory plans for forest economies including refused lands (catastal documents).

Table 1: Refused lands

No	Districts*	Former state enterprises	Former agricultural co-operatives
1	Berati	6306	353
2	Delvina	948	-
3	Bulqiza	321	256
4	Devoll	960	7
5	Diber	727	1008
6	Durresi	858	-
7	Elbasani	80	2
8	Fieri	47	1310
9	Gramshi	436	-
10	Gjirokaster	2533	711
11	Hasi	440	410
12	Kavaja	2581	220
13	Kolonja	3498	290
15	Kruja	201	63
17	Kukes	132	
19	Lezha	860	100
20	Librazhdi	5773	535
21	Lushnja	3177	1826
22	Malesi e Madhe	1247	-
23	Mallakster	73	-
24	Mati	7040	628
25	Mirdita	409	286
26	Peqini	1251	375
27	Permeti	382	-
28	Pogradeci	743	-
29	Puka	163	-
30	Saranda	119	25
31	Skrapari	28	23
33	Tepelena	198	-
34	Tirana	1600	210
35	Tropoja	2050	739
36	Vlora	5120	
	TOTAL	**50301**	**9379**

* Per rrethet qe mungojne nuk ka te dhena

"Land Fragmentation and Consolidation" Albania's Problems and Experience

By:

Prof. Dr. Sherif LUSHAJ

Director of Soil Science Institute

1. Background

In Albania, up to 1991, based on constitutional dispositions the land was state property in use by state enterprises, agricultural cooperatives, institutions, other social organizations, etc. When the political system in Albania changed, the ownership over the land changed as the result of privatization process were about 480 thousands farmer families with almost 2 million soil parcel.

This process was followed by a huge land fragmentation that is considered the highest in Europe and means the subdivision of the farmland into small units located in several non-adjacent parcels. A recent study shows the average size of the farm in Albania is: on the flat area 2-2.5 ha, on the hilly area 1-2 ha and on the mountainous area 0.4-0.8 ha.

Formerly designed parcels with a size of 10-12 ha, delimited by a network of irrigation and drainage canals, after the privatization process are divided between 20-25 owners (families) (see attached maps and diagrams).

Land fragmentation, is a worldwide known phenomenon that is expressed and influenced by different factors in different countries. For example, land fragmentation in France was influenced by traditional medieval practices as: heritage laws that expect the land to be equally divided among descendants, as well as from selling procedures (selling small land units was more profitable then selling the whole property). According to the Islam law after the owner's death his property is divided among his children.

Land fragmentation in Albania is result of the privatization process after the destruction of agricultural cooperatives and enterprises and it is also influenced by several factors and practices as distribution of land according to quality, geographical position (field, hill, mountain), irrigation possibilities, distance from settlements, people density in rural areas, land use categories (arable land, vineyard, fruit trees, etc).

Land fragmentation and consolidation problems as result of the privatization process show:

1. High level of land fragmentation.
2. Problems from land fragmentation (advantages and disadvantages).
3. Ways for land consolidation based on practical national and international experience.

A study realized in several districts and surveys of the phenomenon over the whole country show the fragmentation level in the country is high. Fragmentation, that means the division of land into small-dispersed non-adjacent unit, is the typical model of land property in our country. Farm size is too small. Looking at data from some districts high percentage belongs to farms of 1-2 ha. Farms of this size at Lushnja districts take up 62.2 % of farms, in Vlora 40.8 % of farms and in Librazhdi 23.7 %.

Table 1. Land fragmentation and parcel size

No.	District	Avg. Dist. home-land (km)	Farm size category (ha)	Avg. farm size (ha)	% total farms area	Avg. number of units	Avg. unit size
			-0.5	0.33	3.70		
			0.5-1	0.79	8.90		
			1-2	1.50	62.20		
			2-3	2.31	20.74		
			3-4	3.28	3.70		
			4-5	5.01	5.01		
1	Lushnja	3.94	-	1.66	100	4.05	0.409
			-0.5	0.31	15.55		
			0.5-1	0.73	21.5		
			1-2	1.51	40.75		
			2-3	2.39	21.5		
			3-4	3.009	0.74		
2	Vlora	4.5	-	1.359	100	3.88	0.35
			-0.5	0.41	20.8		
			0.5-1	0.74	55.5		
			1-2	1.28	23.7		
			2.3	-	-		
3	Librazhdi	2.9	-	0.80	100	3.55	0.22

In Vlora district, at the mountainous commune of Brataj the average farm size is 2.5-3 times smaller compared to the farm size in other communes of the district (flat and hilly area). Typical ownership model is the location of land units in different non-adjacent points, as an aspect of the spatial fragmentation.

Generally, the number of farms owning land in one single place is small.

Table 2. Parcel division level in some selected farms

District	Number of parcels									
	1	2	3	4	5	6	7	8	9	10
Krutje	-	9	16	14	5	1	-	-	-	-
Terbuf	-	6	15	21	2	1	-	-	-	-
Golem	-	7	3	7	13	10	3	2	-	-
Lushnje	-	22	34	42	20	12	3	2	-	-
%	-	16.30	25.20	31.10	14.80	8.90	2.22	1.48	-	-
Novosele	3	1	14	22	5	-	-	-	-	-
Qender	-	-	-	17	8	3	12	4	1	-
Brataj	4	18	19	4	-	-	-	-	-	-
Vlore	7	19	33	43	13	3	12	4	1	-
%	5.2	14.06	24.44	31.85	9.63	2.22	8.9	2.96	0.74	-
Hotolisht	12	18	10	3	1	1	-	-	-	-
Prenjas	7	7	-	2	3	10	6	7	2	1
Orrenje	6	7	12	12	3	5	-	-	-	-
Librazhd	25	32	22	17	7	16	6	7	2	1
%	18.50	23.70	16.30	12.59	5.20	11.85		5.20	1.48	0.74

In Lushnja district only 16.3 % of the farmers have their land in two different places, while 83.7 % of the farmers have their land in 3-8 different places. In Vlora district only 5.2 % of the farmers have their land in one single place, while 80 % of the farmers have their land in 2-5 different places and 14.8 % in 6-9 places. In Librazhdi district only 18.5 % of the farmers have their land in one single place, while 57.8 % of the farmers have their land in 2-5 different places and 23.7 % in 6-10 places. At the analyzed communes of the three districts, only 25.9 % of tem have their land in 1-2 places, while 57 % in 3-5 and 17.1 % in 6-10 places.

Besides small size of the farms and distribution of land units in several places, problematic is the size of the units in limits that do not allow the implementation of agronomical techniques.

Analyzing land property in the communes of the three typical districts (flat, flat-hilly, mountainous) categorizing unit size in 9 groups, the result will be the following.

Table 3. Average size of the parcels

No.	District	Parcel size in Ha: Total number of units	Up to 0.05	0.05 to 0.1	0.1 to 0.2	0.2 to 0.3	0.3 to 0.4	0.4 to 0.5	0.5 to 0.8	0.8 to 1.0	over 1 ha
1	Lushnje	523	30	47	1100	77	52	54	87	32	34
	%	100	5.74	8.9	21.0	14.7	9.90	10.3	16.6	6.1	6.5
2	Vlore	524	31	83	110	67	68	40	71	33	21
	%	100	5.9	15	20.9	12.7	12.9	7.6	13.5	6.3	4.0
3	Librazhd	480	81	78	146	68	39	25	25	10	0
	%	100	16.88	16.25	30.4	14.1	8.1	5.2	5.2	2.1	1.6

Librazhdi district, units of size up to 0.1 ha are 33.13 % of the total number of units, in Vlora 21.7 % and in Lushnja 14.7 %. The real size and distribution of land units demand for the need to enlarge the farms and assemble units in one single place or in little number of places.

The international experience as well as the above mentioned study, show that, although increased number of units can avoid risks of immediate production failure in all the units, farmers benefit parcels with different fertility levels, irrigation possibilities and suitable for crops and fruit trees, periodical distribution of labor needs is improved, fragmentation is still a serious disadvantage in agriculture.

Fragmentation obstacle agriculture modernization (mechanization, irrigation, implementation of agronomical techniques), soil improvement (spatial arrangement, land use distribution) as well as create possibilities for abandoning some land units especially those far away from the house.

Also, several economical problems emerge as result of weakening the production factors (labor, time, organizational problems coming out from the distance between units).

Formerly designed irrigation system does not correspond to the farmer's properties and has to be re-constructed according new land ownership and fragmentation. In the last 7-8 years, the irrigation system was not able to circulate the deposited water quantity. 70 % of water quantity is lost through the system. Planting different crops at the same parcel (with water requirement at the same time) bring farmers to obstacle each other. In this case, an agreement for planting the same crop is the minimal prerequisite for irrigation improvement. Formerly designed water troughs every 23 m are divided into 3-4 pieces (as result is destroyed the spatial land arrangement and irrigation infrastructure).

Good land units are used by the farmers while small unit far away from the house and degraded or with low fertility are left fallowed.

Soil loss is another disadvantage. In case of dividing lines every 6-8 m, as usually happen, for opening drainage canals or fences, 5-6 % of the land area is lost and the former spatial arrangement is really damaged.

Also, the farmer need too much time to go to each unit what consist to a considerable quantity of non-productive time. Calculating the distance to travel from home to each unit (one-way) the result is that, for example, at the commune of Krutje the farmer will travel an average distance of 4.5 km, in the commune of Terbufi 3.1 km, in Golemi 4.1 km, in Brataj (Vlore) 5.6 km, in Orenje (Librazhd) 3.2 km.

Land fragmentation is a severe problem. Land consolidation will reduce time loss, machinery traveling and transport costs.

2. Land consolidation

Land consolidation aim at grouping small-scattered land units for avoiding as much as possible negative impacts of fragmentation, reducing production costs, better land use and protection and promoting effective agricultural programs.

Fragmentation is a serious problem in agriculture and the agriculture sector will develop only by mitigating its impacts through land consolidation. Only few countries in the world have succeed in their efforts implementing consolidation measures as UK, Germany, Switzerland, Austria, The Netherlands, France, Spain, Cyprus, etc. For example in Greece in the period 1981-1985 the average size of a land unit was increased from 0.612 ha to 0.765 ha (in 1950 was 0.47 ha). In Cyprus in the period 1946-1985 the number of units per property was reduced almost twice (7).

Recently, farmers have initiated to support some new ideas in order to avoid or mitigate negative impacts of fragmentation, as for example establishing farmer communities, exchanging their units for planting the whole parcel with the same crop.

In the districts of Lushnja, Vlora, Fieri and Korça are registered several unit exchanges for consolidation purposes. In this framework it is necessary to review tariffs and facilitate the transaction process at Real Estate Registration Offices.

One case, where the exchange process can by applied easily and necessarily is when units owned by a big family are adjacent and in the same parcel. So, for example in Prenjas (Commune of Prenjas), one cadastral flat parcel of 22 ha is divided in 70 units owned by about 20-30 different farmers. As a matter of fact, the parcel as a whole has not changed much from its essential physical and chemical features. So, the owners can aggregate units within the same parcel by exchanging without any problem or difficulty. In some cases the exchange must be obligatory.

Planting different crops in the same parcel makes it difficult for the farmers to face problem like mechanization, irrigation, drainage, transport, etc. For avoiding these problems, farmers in agreement with each other have initiated to plant the whole parcel with the same crop as seen in some areas in the districts of Lushnja, Korça, and Saranda.

In several cases, farmers work in groups (2-4 families together) for minimizing the negative impacts of fragmentation. Also, it is widely seen the contribution of some communities in reducing the negative impacts of land fragmentation and increasing the production compared to the private farmers.

The Association for the Bean Production in Pojan (Korça) working in an area of 50 ha, the Associations for the Vegetable Production in Xare with groups of 5-6 families with an area of 40-50 ha hired land (in total 200 ha of 30-40 families) are successful cases compared to private farmers.

For example, the farmer Bahri Pepa (Commune of Fiershegan, Lushnje) by hiring others land has increased its property to 6 ha presenting itself in the market with vegetables and dairy products.

Increasing the farm size through buying or hiring (widely used by farmers) will influence the improvement of technologies, investments, increase production and marketing, facilitate farmers crediting. Bank warranty for self-payment will be part of the agricultural policies applied for irrigation and drainage systems, soil protection, etc.

Land fragmentation in Albania was as result of land privatization in the period 1991-1993 when the agricultural cooperatives and enterprises were dismissed. All features we analyzed as well as the farmers ideas, bring us to the conclusion that fragmentation is a serious disadvantage for agriculture in Albania and the enlargement of properties is an important issue to be solved.

Fragmentation level in Albania is the highest in Europe. Typical model of land properties is in small units located in different places (spatial fragmentation). In the analyzed farms in the three districts the land units are located in 1-10 different places.

Farmers consider fragmentation as a disadvantage, especially related to improving mechanization, irrigation and application of new agronomical technologies. Small distant units with low fertility are left fallowed. In many cases, formerly designed water troughs are divided into 3-4 pieces (every 6-8 m) bringing serious problems for land management, irrigation, mechanization, drainage, etc.

Farmers lose too much time by traveling from home to every single unit and costs related to mechanization and transport is increased.

In this conditions, it is necessary the compilation of a land consolidation program with the following basic objectives: create farms economically effective and able to survive, improve the problematic land ownership structure, enlarge and assemble the small land units into one single place, building infrastructure between units, improve land use and avoid abandonment, decrease production costs and increase mechanization level, irrigation, etc.

Dissemination of the idea for the voluntary assembling of land units (exchange, agreements, groups of farmers) as well as introduction to the market. Obligatory exchange of small land units within the same parcel owned by one family in favor of its neighbor, exchange of destroyed water troughs, or irregular units that obstacle mechanization, irrigation and drainage or promote soil erosion. Up to 2001 are registered more then 3'500 transactions related to agricultural land.

Design of land consolidation plans and state participation in encouraging farmers during the consolidation process and supporting them in affording the costs. These plans aim for each owner to assemble its property in one or less number of places. Farmers taking part in the consolidation process can be exempted by land taxes for 3-5 years.

Improving existing land structure and establishment of new organizational structures (local and central) for land consolidation, with the participation of farmers, specialists, experts, representatives of MoAF, etc, as well as re-allocation of land in different areas, especially there where the fragmentation problems are more serious and evident.

For the implementation of the land consolidation programs, the state has to approve the necessary legal acts that support land consolidation and limit further fragmentation (Law on private property, heritage, application of land market for buying and hiring as well as Governmental decisions). Definition of the minimum unit size and number where no more division can be made (actually is not less then 0.4-0.5 ha).

In the European countries the minimum necessary arable land size for having a competitive commercial agriculture is 25 ha.

Actually, at the Soil Science Institute is functioning the land use policy project in the framework of PHARE program as well as a GIS system. There is a database about land related information necessary for the farmers, local and central government upon which decision-making can be based for right local and national land use planning. Information about the farm size can help the exchange of units registered as having the same production capacity or applying compensating coefficients between them as well soil protection.

Connection of land consolidation programs combined with regional infrastructure development programs (irrigation systems, drainage, etc) as well as compilation of all necessary documents for land registration. Now we have enough information about land fragmentation and negative impacts. Actually, land consolidation plans and programs can include 5-10 thousand ha in a pilot area and gradually this process can be extended to other areas based on the experience gained.

Agriculture Research and Extension service During the Last Decade

By:

Prof. As. Tatjana DISHNICA

Dr. Irfan TARELLI

1. Agriculture Research

Before 1990, the mission of agriculture research activities was design technologies, providing basic scientific information and dissemination of thee information to the experts in the field who were in charge for the implementation according preset priorities.

General transformation of Albanian agriculture in the conditions of market economy requires the modification of research and study activities. In this framework, the evaluation, revitalization and adoption of the former positive tradition to new conditions was the challenge the research institutions under the Ministry of Agriculture and Food (MoAF) had to deal with.

In years 1990-1992, scientific research faced some difficulties in adopting former technologies to new conditions with small fragmented farms and limited structures for development support as well as non-motivated staff. In these conditions, research institutions facing organizational, scientific, financial and social difficulties start gradually their reformation way. So, during 1992-1994, some quantitative changes were achieved preparing the site for qualitative changes. The last ones were stimulated mainly by creating more possibilities for international cooperation (starting common projects, training and study tours, technical assistance of international experts and contacts abroad).

First step on reformation of this system were set up in 1992 and focused in these main directions:

➢ Splitting up scientific research from the o called "executive part" of research activity.

➢ Splitting up production sectors from some of the agricultural scientific research institution leaving them just a little area of land for their experiments and needs of other research institutions of the agriculture sector.

➢ Reducing the number of staff as result of reduced area for seed production, changes in the organizational structure, omission of some research field, budget constrains, etc.

➢ While in 1991 in these institutions worked 4654 people of which 342 researchers, after 1992 this number was reduced to 2693 and 222 researchers.

➢ Creation of 5 new institutions on the basis of former research centers.

The period 1994-1997 was characterized by institutional changes.

Since 1994, with the assistance of SARA project financed by USAID, begun the compilation of a Master Plan for National Agricultural Research and Extension Service. This study analyzed existing situation of research system and extension in Albania and prepare respective recommendations.

On this basis was aimed at:

➢ Gradual consolidation of institutions and establishment of a new National Research and Extension Service Center (NRESC) located close to Tirana.

➢ Functioning of four regional research and extension centers in different agro-ecological areas (Lushnja, Shkoder, Korca and Vlora).

➢ Splitting production activities (production of seeds, seedlings, vaccines, etc) from research programs and stopping research work on plants not important under new conditions as rice, sunrays, cotton, sugar-beet etc.

Ø Functioning of research groups (Livestock, Crops, Forests, Fishing, Soil and Water Reserves, Food Technology, Social Science).

During 1995-1996, the Directorate of Science based on the situation of the institutions at that time elaborated concrete steps on adopting main lines of the Master Plan.

In this framework a study on "Agricultural Research Restructuring" was conducted detailing aspects as the establishment of the Agriculture Research Board, location of NRESC and laboratories, organization of research groups, necessary financial proposals, etc.

As result of a careful study process following the Master Plan direction was designed the "First Stage Structure for Agriculture Research" (following chart).

Figure 1: Research and Extension Service Structure (as by Master Plan)

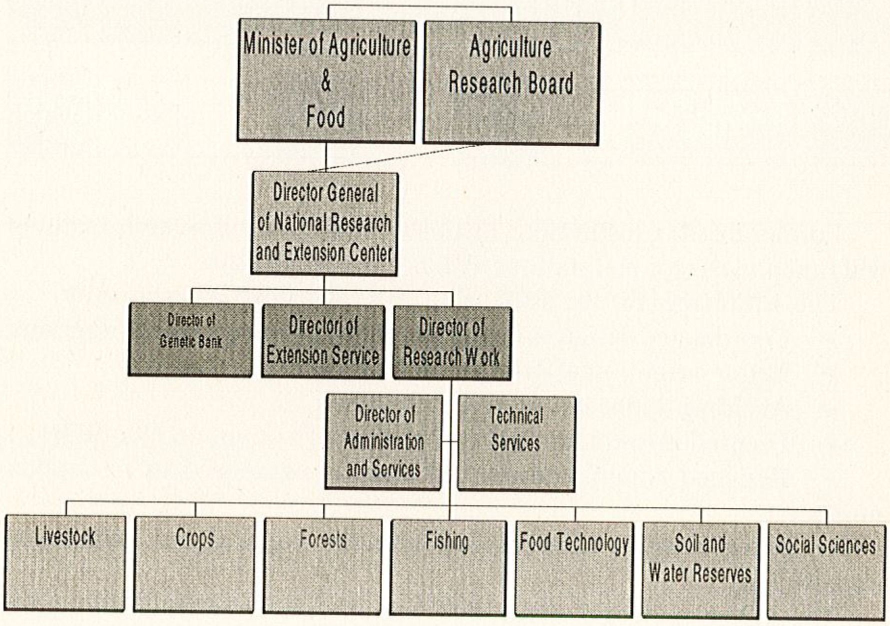
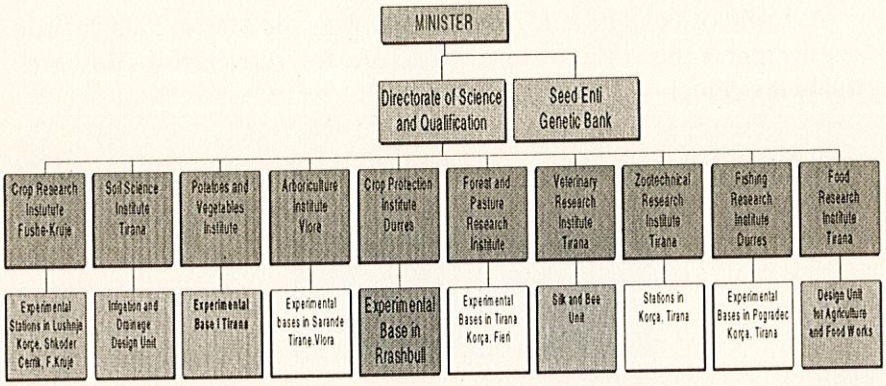


Figure 2: First Stage Structure for Agriculture Research



Former existing institutions included in the Crop Research Institute will function as regional stations within this new institute.

The advantages for the establishment of this Institute consist of:

- Coordinated design and implementation of projects and programs;
- Better definition of priorities within the crop structure;
- Avoiding duplicates on research topics;
- Focused investments and completion of a common laboratory;
- Reduced administrative staff number compared to researcher number;
- More helpful cooperation with the Agriculture University departments.

The following period, after 1997, was characterized by considerable improvements on research quality. A positive impact in this direction had the investment of more then 2.5 million USD from different donors and 89 million Leke of the state budget (mainly for establishing new laboratories and buying modern equipment and tools, etc).

Agriculture research topics are mainly focused on:

- Resource conservation and genetic improvement of plant and animals;
- Design of new technologies and improve existing ones;
- Monitoring soil quality and erosion, pollution, irrigation and drainage problems.

- Integrated sustainable forest development;
- Aquaculture sector
- Bio-chemical and food analysis;
- Diagnosing and veterinary prevention;
- Main crop pests and diseases and measures for fighting them, etc.

On the research field is aimed at:

- Increasing applied research level in response to concrete needs of farmers' community as well as strengthening the relationship between research and extension service. Merging extension service with research by creating a single directorate (Directorate of Science and Extension Service), in 1997, produced considerable positive effects since relationship between research institutions and extension service before was very weak.
- Improved procedures for designing, approving and implementing research projects financed by the state budget and preparing project proposals according contemporary competition standards for project financed by foreign donors.
- Scientific qualification of staff, participation on scientific activities within the country and abroad, increased number of scientific publications, etc.

Although up to now achievements, agriculture research is actually facing several difficulties that require the involvement of all interested actors to be solved.

The main ones are:

- Effective use of resources and capacities actually existing in research institutions. However, increased attention on applicable research, several projects related to resource conservation, especially genetic improvement projects, cover an unjustifiable place compared to the impact they have on production reality, funds expended and experts involved.
- Financial functioning of research institutions is really confused since they are considered both as state research institutions based on the Law "On Science" and economical units based on the law 'On state enterprises". Often happen that due to economical difficulties the attention is drawn on commercial aspects influencing the main objective of research work.
- Low competition. Application of competition criteria only in a closed cycle almost within the MoAF institution network is followed by low quality of projects presented for financing.

➢ Renovation of research staff. The problem of renovation of research staff of research institutions is still existing although the good job done in cooperation with AUT for qualifying best students that can be involved in these institutions. Average age of researchers in our institutions is above 45 years and brain migration is an important problem even if not at the same level as in the universities. Involvement of new specialists by offering long term training often ends with their leaving after the training. Sometimes, new specialists do not fit the conditions to work in a research institution. Human resource policies must aim at better involvement and motivation of staff.

➢ Low cooperation level with the agricultural universities and research centers in the country and abroad.

➢ Lack of economical assessment of the research results.

1. Agriculture Extension

Extension service is considered as an important instrument for (1) know-how transfer to the farmers supporting them in farm development with technical and management services that enable production and income growth, and (2) promoting and explaining consequences of agriculture policies.

In this point of view, extension can play an important role on strengthening and modernizing agriculture sector.

Before 1990, more then 3000 specialists employed on large agriculture economies within a centralized system carried out extension services in Albania. They provided necessary technical assistance for production growth. In these conditions, extension service did not exist as a stand alone organizational structure. Technology transfer and dissemination was done directly from research institutions to agricultural cooperatives and enterprises.

Land privatization process initiates the agriculture reformation and restructuring process. In this framework, extension service must had a special attention since farmers were not ready in the new reality to act as entrepreneurs deciding by themselves on issues related to the management of their farms.

First steps on establishing a new agriculture extension service system were taken in 1993 as a pilot project in six districts providing to the farmers not only agricultural inputs but also necessary extension support. First and second phase of the National Extension Project financed by EU-PHARE program were realized in 1994-1997.

During this period several important activities were realized, as:

➢ Providing inputs and credits especially for demonstration purposes;

➢ Training extension staff based on training of trainers approach;

➢ Introduction and application of several extension approaches for having maximal effect;

➢ Establishment of the extension unit at the MoAF;

➢ Involvement in extension structures of hilly and mountainous districts following the flat areas of high production potential. Since 1997, the extension service (with the assistance of other donors as IFAD 1 & 2, Agrinas, the Netherlands's project in Fieri, Albania-Switzerland Cooperation, etc) was extended in 27 districts becoming the main duty of Agriculture and Food Directories in these districts;

➢ Production of extension materials for extension worker and farmers;

➢ Development of a monitoring systems for the realized activities and achieved results;

➢ Establishment of a National Farm Research Council as a platform for information exchange between research and extension, setting farm research priorities and involvement of both researchers and extension workers in their implementation;

➢ Increased role of women on farm production activities, etc.

Above-mentioned activities aimed at implementing main directions of the midterm policy on public extension service elaborated by MoAF in 1995.

In the Albanian agriculture environment during this period is evidenced the establishment of different trading and producing organization that have several private extension elements in their activities. Association of fertilizers and other agricultural input traders (through Technology Transfer Centers as well as other extension activities), association of potatoes seed producers and other associations supported by USAID (AAATA, Land O'Lakes), other projects and programs financed by different donors played an important role on farmers supporting and development, especially those producing for the market. About 400 private experts undertake specific services as the veterinary or artificial insemination.

Recently, opinions on the rapport between public and private extension is changing in different countries. Researchers as Beynon and Duncan (1996) and Alston & Pardey are skeptic on the extension as an effective tool for increasing social well-being. They argue that will be better to set extension on more commercial basis and require alternative supporting tools for rural population.

While private extension is a reality in western countries, there are several reasons for its privatization even in less developed countries:

- Generally, governments are facing budget deficits while the costs for maintaining public extension service is not very low.
- Farmers pay less attention to free extension service. When farmers pay for a service they certainly evaluate it requiring high quality services according to their individual needs.
- Different donors as World Bank, etc, recommend governments to reform systems not suitable to farmers needs and that have financial problems. Beneficiaries of these services have to pay for part of the costs.

However, in several countries, extension services financed by state budget still play the main role in agriculture extension. The general assessment of extension services realized in 1998 shows:

- Lack of special and sufficient budget for extension services,
- Relatively small number of extension staff (one extension worker for more then 1000 ha while the average farm size is 1-1.3 ha),
- Difficult working conditions, low salaries, limited transport and communication facilities,
- Limited possibilities for reaching new technologies and other information sources,
- Limited use of mass media techniques, low organization level of the farmers, involvement of extension workers in other duties, lack of coordination between structure implied on the extension service, etc.

Under these conditions the restructuring platform was designed with the objective of "strengthening and expanding the extension service over the whole country strictly related to the private sector as well as restructuring it to a gradual privatization". Besides the emphasis on increased role of public extension service this platform enable the establishment of two Regional Extension Centers in Durresi and Fieri as areas with high agricultural potential.

Such centers have the objective to promote and strengthen sustainable commercial production development in Albania. Their mission is to stimulate agriculture production growth for domestic consumers and export by supporting and promoting farm development. However, the state can support them financially for a certain period, farmers have to pay for the services they benefit. Number of these farmers producing mainly for the market is small but it is expected to grow up quickly in the future.

The group of farmers producing for their own needs, located mainly in poor hilly and mountainous areas, is the biggest group and consist the objective of a general extension service provided by the public extension structures. This public service in Albania aims at providing service and information packages for production growth and processing for own needs and local market. There are included here, production techniques using less inputs, improved plant and animal species that fit local conditions, possibilities for producers to be organized in associations, alternative ways to generate incomes, improved women condition in rural areas, etc.

During years 1998-2000, the third phase of the National Extension Project was implemented financed by a grant of the Netherlands government and funds of the Albania government. It provides an important contribution in the consolidation and extent of public extension service over the whole country and establishment off private extension structures (Regional Agriculture Extension Centers), etc. Enormous activities realized during this phase result at:

➢ Elaboration of extension service strategy and policies al national and district level;

➢ Improved organization and management of extension service structures;

➢ Supporting farmers with new ideas through the development of a communication line between research, extension and farmers needs;

➢ Increased training capacities and providing extension workers and farmers with technical, economic and marketing skills, improved knowledge and skills of extension workers to deal with farmers associations;

➢ Strengthen cooperation with the private sector;

➢ Involvement of mass media as an extension tool, improved monitoring system, gender issues, etc.

Studies and experience gained up to now enable the elaboration of the following conclusions and recommendations that will serve for better achievements in the future:

- In the research field:

✓ Already, it is generally accepted the need for consolidation and restructuring of research institutions. A Task Force is necessary to review existing situation and prepare specific recommendations for changes.

✓ Research focus should be on applied researches. At the actual stage, the best solution is to provide new technologies that offer low cost solution for farm problems.

✓ On the conditions of limited financing it is necessary to better define research priorities and disposable funds to be used following competition processes.

✓ Production of seeds, seedlings, vaccines, biologic material and other commercial activities realized by research institutions still play an important role on providing support to farmers and also generate incomes for the institutions. However, splitting up these activities from research programs is the first step, while in a long-term period great part of them have to be privatized.

✓ Strengthening cooperation with agricultural universities and other scientific bodies is necessary to avoid duplication and to better use the financial and human resources.

- In the extension field:

✓ During last ten years a considerable progress is made in establishing a suitable extension structure. Regarding the extension impact, it is difficult to accurately assess it without complex and comprehensive surveys at farm level. Nevertheless, during these years considerable improvement is made on farms' incomes. However, this is not directly linked to extension service, for sure it had its own influence in this process.

✓ Actual extension service system (mixed public and private) seems to be a suitable alternative even for future developments in agriculture structure.

✓ Donors' contribution on extension up to now have been a priority and it will still be necessary for some more years.

✓ Up to now experience of Regional Agriculture Extension Centers even if short seems to be promising, but they need support by public funds till they are transformed into independent private structures.

✓ Farm researches are a successful attempt to strengthen relationships between extension and research that needs further improvements. They must focus more on agriculture systems then on single crops and deal with economic aspects of solutions offered in order to convince farmers for their implementation.

✓ Extension service effectiveness can grow if these services are provided on contract basis.

✓ Since it is accepted that private specialists play an important role in supporting agriculture development, training must not be limited to specialists employed on public structures. Middle agriculture schools can be better used for farmers training.

✓ Future focus of MoAF related to extension service will be on supporting while implementation will be done be most effective structures (public and private).

"Forest Products and By-Products" in focus of Marketing Reforms and Pricing Policies

By:

Agron HETOJA

FAO Project GCP/ALB/004/ITA

Agricultural Economist/Economic Coordination

1. Current Status of Marketing Reforms and Pricing Policies

Reformation of marketing strategy, price-formation proces and pricing policies itself has been one of the most prioritized objectives of DGFP during the last five years. Albania Forestry Project and the FAO programme for technical assistance are giving its support to this process. The main aim of the activities undertaken in the framework of marketing and pricing policy reform is based in the price liberalization process of wood timber sold through auctions (some gradual price increases has been evaluated) as well as in the improvements of the auction procedures.

It is noted that during the yars 1991-2000, the reformation of the marketing strategy and pricing policy is relatively well progressed, having in mind: i) general developments of the social-economical situation in the country and ii) modernization either of the civil adminsitration or private sector incentives.

In economic terms, forestry is ranked amongst the most important potentials of the rural areas together with agriculture and livestock production, mineral reserves (namely chromium, copper and nickel). The landscape diversity of Albanian mountains must be considered as a special resource, particularly for development of international tourism in the long run. Uncontrolled deforestation, illegal logging, overgrazing in mountains areas and the degradation of natural resources are the main long term concerns for natural resource management.

Some policy reforms with be lunched with regard to marketing and control of illegal forest harvesting. A participatory approach involving also different organs of public authority (Communes and Villages) in forest management is already being applied.

Forest and pasture fund provides incomes due to the commercialization of products such as Wood Timber, Pasture and Meadows and so-called Non-Timber Forest Products where are included the botanicals, hunting and zooculture, and other secondary products.

Having in mind the potential for incomes, DGFP in its entire work programme aimed the objective of making efficient the exploitation of such resources and the possibility for their return to the forest and pasture fund. Such an objective has been aimed based on the principles of sustainable and racional eploitation of forest and pasture resources, which latter on will be followed by the transformation of the forest administration (DGFP) from a budgetary and centralized institution into a state forest corporation with self-financement mechanisms (on one side, obtaining revenues from the forest exploitation based on an allowable and sustainable basis and on the other side covering its operational and managerial expenses and paying all fiscal obligation as per law).

To date, the followed marketing reforms an policies for the prices and fees of forest products have been mainly oriented towards the solution of the current problems and not heavily based on a long-term perspective. Marketing infrastructures and services as well as the marketing environment have not been developed properly and have not allowed for ane efficient marketing. Prices and fees of forest and forest basd products and services are set mainly on an arbitray basis rather than based on critical analysis of market demand and supply or market attitudes.

Integration of the mix marketing elements (Products, Place, Promotion and Price) as well as alternmative ways of market access are not fully acknowledged and thus could not be efficiently managed. Moreever, promoional activities for the forestry setor image are also not mnagd properly.

Surely, the overmetioned situation is not identified and assessed recently. It is a long time that the responsible authorities are working in order to do the necessary adjustments in fully conformity with the priciples of market economy and sustainable exploitation of national forest resources..

2. Forest Products and By-Products' Pricing Policy: Its Evolution

In the framework of the centralized economy forest tariffs were set by decision endorsed by the Government. More concretely at the time of the changes of systems a decision of the Council of Ministers No. 94 dated 6.7.1968 amended by decision no 240 of 18.12.1978 and by Decision No 13 dated 8.01.1975 was in power. Below is a table of such prices:

Table 1. Charges for Wood Timber

Name	Unit	Tariff (Lek)
Industrial Wood	m^3 (standing tree)	
Conifers	"	
Pine	"	85
Fir	"	100
Broad leaves	"	
Beech	"	75
Querqus	"	112
Alnus, Willow	"	75
Fraxinus, Common Elm, Wallnut, Chestnut, Maple, Silver Lime	"	188
Hornbeam, Hop hornbeam, Oriental Plane, Montpellier Paple, Hawthorn, Hackberry	"	80
Poplar	"	100
Fuelwood		
Solid (Querqus, Hornbeam and Arbutus)	m^3	9
Sof and conifers	"	8
Sticks	"	5

In the framework of the price and tariff liberalization as a requirement of the market economy that was being projected the Albanian Parliament passed Law No. 7861 date 7.7.1992 "On prices and tariffs" and pursuant to this law the Council of Ministers approved Decision No 308 dated 20.07.1992. "On liberalization of prices and tariffs and authority entitled to set them". This decision vested the Ministry of Finance and Economy (as it was called at that time) with the authority to propose changes of forest tariffs. And it was later on the Government that approved such proposed tariffs as the latter were a state monopoly (even though the price was liberalized and subject to the supply to demand regime).

These tariffs once in power were mandatory to all public entities as well as to all natural and legal entities, local and foreign, (the latter were not allowed to produce and market forest products at higher prices than those approved by the Council of Ministers). Meanwhile, the Ministry of Finance and Economy monitored (in cooperation with other relevant ministries) level of costs of production. And when obvious discrepancies were observed it proposed to the Council of Ministers necessary changes on prices or measure of subsidy.

On a decision of the Council of Ministers no 18 date 24.07.1992 were set prices and tariffs of the articles of the basket (staple articles) where were included fuelwood, as heating for the population was a problem (also cooking) which at that time were mainly supplied by this source. With the passing of decision No. 7623 date 13.10.1992 "On forests and forestry service police" the Council of Ministers was charged with the setting of tariffs for forests.

On a decision of the Council of Ministers dated 11.01. 1993 "On a change and liberalization of the articles of the basket (staple articles) tariff of fire wood did not change, but the difference between expenses and tariffs endorsed with that decision for fuelwood for that portion that goes for meeting needs of the population is subsidized by the state budget (in a few words selling price liberalization had been carried out according to Law no. 7581 date 7.7.1992).

Whereas with Decision No. 82, date 26.2.1993 "On setting tariffs for the forestry sector", the Council of Ministers had set the tariffs as provided in the following table:

Table 2. Basic Tariffs for Standing Timber Auctions

Nr		Name	Unit	Tariff (Lek)
1		**Industrial Wood**	m^3	
	a	Conifers	"	
		Pine	"	1500
		Fir	"	1600
	b	Broad – leaves	"	
		Beech	"	1200
		Quercus	"	1400
		Netle tree, Walnut, Chestnut, Maple	"	2200
		Fraxinus, Sturgeon, Chestnut (wild), Alnus, White birch	"	2000
		Hornbeam, Hophornbeam, Oriental plane tree, Hawthorn, Malberry, Hazelnut, Willow, Cornel, buttress, Nettle tree (Celtis australis)	"	900
		Willow, Blue gum tree	"	1000
2		**Fuelwood**	"	
	a	Solid	"	
		Querqus, beech, maple, fraxinus, oriental plane tree, locust tree, chestnut, hornbeam, silver lime, arbutus	"	50
	b	Sof	"	30
		Conifers, Willow, Alnus	"	

In the first half of 1993 fuelwood was exempted from being traded in auctions to the effect of subsidizing this article as a "a basket article".

Tables 19, 20, and 21 contain respectively data for NTFP, for reforestation inside the forest fund, for use of forests or part of them for recreation, tourism and health purposes as well as indemnation of damage to forests resources.

Table 3. Basic Tariffs of the NTFP Sales

Nr	Item	Unit	Tariffs (Lek)
1	Perches, twigs	Mst	15
2	Slim wood sticks	q	25
3	Roots and bulbs	"	50
4	Stump	M^3	70
5	Thick wood sticks	$000/m^3$	70
6	Wood Pilars	$000/m^3$	140
7	Other processed materials from wood such as fork handle and farm work tools are calculated based on the price of wood needed to make them	"	
8	Wood fungus	"	40
9	Charcoal	"	300
10	Tar	"	300
11	Resin	"	150
12	Collected out of the forest area	m^3	
a	*Stone, sand, gravel*	"	10
b	*Soil and humus*	"	30
13	Collected in the forest area	q	
a	*Grass*	"	10
b	*Leaves*	"	20
14	Collection of medicinal herbs	q	
a	*Various flowers*	"	200
b	*Various leaves*	"	50
c	*Various roots*	"	120
d	*Various herbs*	"	30
e	*Fruits, seeds and buds*	"	100
f	*Skin*	"	140
g	*Funghi*	"	1000

Tariffs of the reforestation by destination are based on the following:

- Worth of soil as defined by law on land privately owned or in use
- Worth of forest, its flora and fauna and other values, which are to be defined through various studies.

Further the same decision has provided for the tariffs of use of forest areas for recreational purposes, health purposes or as tourist sites, etc.

Tariffs are set on a yearly and per ha basis. Thus for example to exploit one ha of forest for a time period of 3 years a tariff of 5000 Lek/year must be paid. This tariff is 4000 Lek/year for a 10 year period, and from 11 to 20 years it is 2,000 Lek/year and from 21 to 49 years the tariff is 1,000 Lek/year.

According to the decision in question the selling of standing trees (on auctions) is made in parcels and parts of the forest economies which have roads inside the forest. For beech tree, tree, pine trees, Fir tree (Abies. L) and Quercus the above tariffs are applicable to the third category of forests. For the first and second kinds of forests such as the kinds of beech tree, oak tree, pine tree and fir tree tariffs are set at 30 % of the third category. Whereas as for the fourth and fifth category the tariff is reduced to 10 % to the third category. For other kinds of trees tariffs remain unchanged.

As for parcels or parts of forest economies in which auto roads did not exist a different criteria was employed to set tariffs. Thus tariffs were adjusted taking into account the investments per 1 m3 of standing trees that were to be carried out by those companies that were to use a given part of forest without auto roads. The following were used to adjust the tariffs:

- For up to 100 Lek investments per 1 m^3 of standing trees a coefficient of 0.9 was employed
- For 101 – 200 Lek of investments per $1m^3$ of standing trees a coefficient of 0.8 and
- For over 201 Lek of investments per 1 m^3 of standing trees a coefficient of 0.7;

Such tariffs applied the same for joint ventures as well as for legal and natural entities both foreign and local. The selling of raw materials would be done through auctions having as a starting point (a floor price) tariffs foreseen by the respective decision.

Meanwhile, it was formulated and started from the implemnetation the Albania Forestry Project co-financed by the Italian Government, the World Bank, the Swiss Government, the Japanese Government and the Albanian Government. According to this project selling prices of industrial wood and fuelwood (in US$) were defined as described below:

Table 4. Prices of wood sales foreseen by Forestry Project

Name/Year	'95	'96	'97	'98	'99	2000
Indust. Wood	13	13	16	20	30	30
Fuelwood	1.1	1.1	1.1	1.1	1.1	1.1

In view of the big changes in the Albanian and foreign markets of wood products the Council of Ministers at the proposal of the DGFP passed decision No. 10 dated 27.05.1996 "On selling wood through auction" according to which payment of tariffs is made before the cutting of standing trees. All the worth of the contract (which is annual) is paid in no more than four installment. Dates of them are defined in the contract whereas all payments must be paid within 9 months (as the last installment is paid three months of the conclusion of the contract).

To follow up reform of the marketing and prices, DGFP wrote up relevant reports and submitted to the Council of Ministers. The latter on their basis issued decision No. 687 date 14.10.1996 "On some changes on the Decision of Council of Ministers No. 82 date 26.02.1983 "On setting tariffs for the forestry sector". This decision provided not only for changes to basic tariffs of the selling on auction of standing trees changed but also tariffs for secondary products and those for use of forests for recreation and tourism purposes.

Table 5. Tariffs of Standing Timber Auctions (in m3) according to DCM No. 687.

Nr	Name of Goods	Tariff (Lek per unit)	
		Up to 22 cm	Over 22 cm
1	**Industrial wood**		
A	*Conifers*		
	Pine	1000	1750
	Fir	1000	1750
B	*Broad leaves*		
	Beech	1000	1800
	Querqus	1100	2000
2	**Fuelwood**		
A	*Solid*		
	Querqus, beech, maple, fraxinus, oriental, Locust, lojfate, chestnut, horbeam, sturgeon, maldrone, hornbeam, hazelnut, corneal and buttress	120	
B	*Soft*		
	Conifers, Willow, Popplar and Alnus	60	
3	**Standing trees for processing**		
A	Walnut, chestnut, maple and Netle tree	3000	
B	*Hackberry, equalipt, malberry, hop hornbeam, popplar, oriental, willow, hornbeam*	1200	
C	*Sturgeon, fraxinus, chestnut, White birch, alnus*	2500	

Besides the above this law states that: "Entities that build auto forest roads with their own financial means, in those plots where such roads lack, depending on investments made per m^3 of standing trees benefit of adjusted tariffs as follows:

Investments made per 1 m^3 of standing trees are calculated by taken into consideration total worth of the road that serves to a plot and on the total volume of standing tree of that plot".

In reliance on this decision Instruction No 4 of date 14.06.1996 was issued which aimed at improving procedures for the development of auctions, a better control of the activity of the private entities and creation of possibilities to collect a maximum amount of revenues.

In this framework, in order to avoid participation of private entities which are not reliable partners due to unclear solvency, the commercial entities are obliged to show the professional license issued by relevant institutions and their payment history to tax authority, health insurance and a bank guaranty.

These documents along with the professional license issued by the DGFP are filed to the auction body and constitute a pre-requisite to participate in the auction. A guaranty of 50% of the value of the accepted tender is asked for being deposited immediately after the acceptance of tender results and this serves to minimize concerns that might arise in case winning entities do not sign a contract or do not pay their dues following the signing of the contract. In both cases the bank guaranty goes to the DGFP.

With Instruction No. 4 date 14.06.1997 a volume of 5,000 m^3 set for one installment was reduced to 200 m^3; an installment for 1000 m^3 in two installments was reduced to 800 m^3; a volume of 15000 m^3 set for three installments was reduced to 800 m^3 for three installments.

Manner of competition also changed from that calculated for the total worth of the plot to price per unit of standing trees. Likewise, proposals to increase the starting value on auction are made based on fixed values. More concretely for 50,000, 5,000 and 2,000 Lek and their multiples but not at one or a few Lek as it was the case before the Instruction. It must be stressed that the year 1997 was characterized by very difficult conditions, which forced the entities to interrupt their production activity for a long period of time. Interruption of their activity came also as a result of unfair competition due to illegal cuttings.

With the stabilization of the situation the DGFP proposed increases to the selling prices of timber on auctions which were approved by Decision of Council of Ministers No. 530 date 21.08.1998. In more concrete terms for wood material of beech and oak prices were increased on average by 30 % whereas for pine and oak is around 20%. For fuelwood of solid types (wood) floor prices were increased to 29 % whereas for soft types by 17 %. Other wood types fall into into three groups where the increases have been respectively 37%, 25% and 20 %. Increases of prices were made for secondary products between 25 to 30 % and so were the tariffs for the indemnation of forest areas.

The following table depicts these changes more thoroughly:

Table 6. Basic Tariffs of Standing Timer Auctions (in m^3) as of DCM No. 530

Nr	Name of Goods	Tariff (Lek/Unit)	
		Up to 22 cm	Over 22 cm
1	**Standing trees for processing**		
A	*Conifers*		
	Pine tree	1200	2100
	Beech tree	1200	2100
B	*Broad-leaves*		
	Beech	1300	2350
	Querqus	1450	2600
2	**Fuelwood**		
A	*Solid*		
	Querqus, beech, maple, fraxinus, oriental, Locust, lojfate, chestnut, horbeam, sturgeon, maldrone, hornbeam, hazelnut, corneal and buttress	155	
B	*Soft*		
	Coniferea, popplar, willow and Alnus	70	
3	**Standing trees for processing**		
A	Walnut, chestnut, maple and alnus	4100	
B	Hackberry, equaliptus, malberry, hop hornbeam, popplar,oriental, willow, horbeam	1500	
C	Sturgeon, fraxinus, chestnut, white birch, Alnus	3000	

Table 7. Basic Tariffs of NFTP Sales as of DCM No. 530

Nr	Name	Unit	Tariff (leke)
1	Perches, twigs	mst	25
2	Slim wood sticks	Q	40
3	Roots and bulbs	"	80
4	Stumps	m^3	110
5	Thick wood sticks	000 pcs	115
6	Wood Pilars	000 pcs	210
7	Wood fungus	kv	65
8	Charcoal	"	500
9	Tar	"	500
10	Pine resin	"	250
11	Collected within the forest areas	m^3	
a	*stone, sand, gravel*	"	20
b	*Soil and humus*	"	45
12	Collected within the forest area	q	
a	*grass*	"	20
b	*leaves*	"	40
13	Collection of medicinal herbs in forests	q	
a	*Various flowers*	"	310
b	*Various leaves*	"	80
c	*Various roots*	"	190
d	*Various herbs*	"	50
e	*Fruits, seeds, buds*	"	160
f	*skin*	"	230
14	Collection from forest pastures	q	
a	*Fungi*	"	1600
b	*Various flower buds (of trees)*	"	100

In addition to the above proposals were made to improve timber selling procedures which were approved with Instruction of Council of Ministers No. 2 date 21.08.1998.

According to the previous procedures, upon completion of auction, entities along with the forestry personnel verified or inventoried earmarked trees in those parcels the entities had won. At the end of this process list of earmarks was signed and the signing of contracts was made without taking them over through a verbal note. Following the signing of contracts the entities were firstly handed over parcels or first parts of parcels and upon the completion of these parcels other parcels or part of them were given.

Application of the above practice has indicated that at the moment of the handing over of parcels or their parts, in a significant number of cases illegal cuttings are observed within the areas that are granted for logging to private entities. Such illegal cuttings in many cases are carried out by these very entities which have gone that far as to request compensation for the trees cut down illegally (by them). Likewise, logging permits used to be granted annually after the signing of contracts and prior to the onset of utilization operations for all parcels for the volume the entities won.

It was due to the above concerns that in the new Instruction it is decided that all parcels be handed over to the winning entities with a minutes duly signed by both parties prior to the signing of the contract. That is, this process was to be done after verification and earmarking and inventory was made. Likewise, utilization permit is no longer granted for the duration of a year for all parcels at one time but it is granted for specific duration per each parcel or part of parcel that is ripe to be utilized. Moreover only after all payments have been made by the entity to the forestry service can a permit be issued. This kind of arrangement makes the entities responsible for the parcels they won through auctions and in the same time give to the DFS Manager some more possibilities for better controlling phisically the entire logging process.

Other changes in this Instruction are connected to shortening the period within which to hold an auction for selling timber sequestrated, which is dictated by difficulties faced to store and protect it for a long time.

From studying this table it can be concluded that one needs to operate quickly to increase thin wood obtained from pine trees. To this end the DGFP has prepared draft project for changes to the DCM No. 530 date 21.08.1998 where fine wood for processing (up to 22 cm) a tariff of 30 % is proposed for the medium and thick 32 % and for fuelwood 18%. As for other types it is proposed to increase the existing tariffs of secondary produce to 20 – 60 % and to review some tariffs to indemnify damages to forests (as much as 4.5 times fold). As far as grazing tariffs for the state-owned pastures are concerned tariffs of grazing animals is defined in Lek per head in implementation of DCM No 236 date 6.6.1994. Such tariffs are provided in the following table:

Table 8. Basic Tariffs of Grazing as of DCM No. 236

Nr	Livestock	Kind of pasture (Leke/heads) (Winter)	(Summer)
1	Sheep	150	100
2	Goats	150	100
3	Cattle & horses	600	400

The DGFP has prepared a draft project to change this decision. The proposal and the issuance of a new decision for tariffs of grazing in state-owned pastures is of course made due to socio-economic changes that have occurred after ever since this decision had been approved.

Traditionally the tariff of pastures for sheep and goats during a grazing season equals worth of 5 liters of milk. In 1994, when the decision of grazing tariffs was passed, worth of a liter of milk was 25 kg, whereas currently out of surveys made it has increased to 50 %. Therefore it is proposed that tariff for grazing on state-owned pastures be raised by 50 %. The DGFP is charged with duty to set tariffs of rent for grazing by kind of animals and grazing season (winter, summer). For cattle and horses, grazing tariff per head equals that of four small ruminants.

As far as tariffs of hunting are concerned they are set by a Joint Instruction of the Ministry of Finance and the DGFP No. 3538 dated 8/9/1998 which are treated as follows:

Payment for the hunt (wildlife): This payment for hunt (wildlife) is used for the hunters' association as well as in cases when persons hunt independently of the hunters association.

Payments by local hunters: The members of the hunters' association to exercise their hunting activity (killing wildlife) prepay the respective tariffs upon receiving their annual hunting permit by the management of the association of Hunters of the District. This prepayment is deposited to the DFS. The tariff is irrecoverable and valid only for one hunting season.

This tariff includes services performed by the DFS and killing of the hunts according to daily limit set and days allowed for hunting.

When the hunting of wildlife is conducted within hunting resorts then each hunter for each day of hunting pays a fee for entering the resort. The hunting in hunting resorts is organized and lead by the DFS on the basis of requests filed with the management of the hunters' association.

For foreign hunters: For foreign hunters who do not belong to associations which have singed contracts with the approval of the Minister of Agriculture and Food are levied fees based on the number of hunt requested, number of hunters, days permissible for hunting and respective tarifs are set down. Even for these hunters payment is made prior to the onset of hunting and it is irrecoverable. From this rule are excluded the politicians both foreign and local.

The local and foreign associations, which bring in local and foreign clients who exercise hunting activity in free areas given in use, upon signing a contract, deposit to the DFS a fee as provided for in the relevant tariff system. This fee includes services performed by DFS and amount of the exile and autochthonous game to be hunted based on the pre-set rules. The contracting parties upon drafting the contract decide on the mode of payment making respective calculations in this respect.

In case pay per hunt is chosen as a form of payment then calculations are to be made based on the number of heads by kind times the relevant tariff per kind.

With the setting of mode of payment the contracting parties should bear in mind that for each hunting area contracted they draft hunting packages taking into account also the hunting calendar by species. The hunting packages should contain no fewer than two hunts in which each species to be hunted should amount to no less than 20 % of total number of game earmarked for hunting.

Package worth is set per day of hunting per hunter and equals 80% of the sum that results from multiplying the amount of hunt by daily limits provided by the contract to the established tariffs.

With the closure of the hunting season the contracting parties draft a final joint minutes inventory. In case when the payment made for hunting and amount of the game is less than the amount deposited (700, 000) the association is not returned the difference.

In case the final joint minutes show a bigger amount of the game than the payment deposited (of 700,000) the differences are paid by the hunting association before the closure of the season.

Payment based on fauna assessment: The payment employing a fauna assessment is used for the hunting resorts. This payment is deposited for the granting of the resort in use to certain hunting associations for the entire hunting season.

The level of payment employing the fauna assessment is computed based on the area in ha times the tariff provided by law. The tariff of fauna evaluation includes: the amount of the permitted to be hunted, days allowed to hunt, tariff of entry into the hunting resort for each hunter, expenses needed for preparing necessary documentation and services for a smooth operation of the hunting season.

Upon signing the contract the association deposits to the account of the DFS 50 % of the worth of the contract. The other half is deposited on December 1st. In case the payments are not deposited within the aforementioned deadlines the association loses the right to exercise hunting. The DSF requests to the district court civil responsibility on the part of the entity.

Other payments (entry into protected resorts for eco- tourism purposes). Tariffs of entries into hunting resorts and protected areas are defined. Tariffs are split separately for cases in which hunting is carried out for study, monitoring, shooting, leisure, recreation, entertainment and eco tourism or other activities of this nature.

Local researchers of the Environment Protection Committee, officers of the Department of the Natural resources in the Ministry of Agriculture and Food and managers of local government in the respective districts and Members of the Albanian Parliament are exempted from the above fee.

By monitoring closely this activity the DGFP and the Ministry of Finance according to respective official notes No 1335 dated 4040/3 dated 8.9.1998 have defined new tariffs (the annex attached contains the entire Instruction on tariffs).

The DGFP has made an assessment of current policies and prices and has concluded that these tariffs to be further improved so as to reflect changes of the free market mechanisms, respond to demand of the free market for wood materials. These improvements need to be such as to be as close as possible to the cost of producing raw materials.

It has been thought that the entities that bring in foreign clients, before they take a permit to exercise activity in the said area they should deposit 10 % of the tariff for the area they apply for. (This needs to be done in order to avoid the possibility that a private entity win the right to exercise the right to hunt and not report itself for signing the contract). This sum serves to guaranty the contract. If a private entity does not act according to procedures provided in laws and by laws in power this sum is not returned to the payee but is goes to the state budget of the DGFP. If it is otherwise, when all is done according to the law this amount is paid back to the payee.

1. Further Reformation of Marketing Strategies and Pricing Policies

In the framework of the yearly activities of DGFP itslef as well as within the jointly elaborated work-plan of DGFP/PMU for the Albania Forestry Project implementation for year 2001, it is considered as a necessity to undertake a market and marketing research for assesing the measures and intervetions to be taken in oprder to improve the progress in the marjeting reform and pricing policies.

Such a marketing research will assess, againts the reformed marketing and pricing policies, the current state of markets and marketing of raw materials (goods and services both timber and non-timber) rceived from albanian foresttst in order to increase the socio-economic contribution of albanian forestry in the overall socio-economic growth and ustinable dvelopment of the country as well as to allow or the assesment of potettial revenues to be received from the exploitation of forestr resourses.

The overall objective of the study is to provide a comprehensive assessment of the current and potential supply/demand and markets of wood, non-wood materials and forest-based pasture and other services and a detailed analysis of the means of accessing the markets within the existing and emerging business, marketing and infrastructural environments. Besides that, it will be provided well-justified estimates of the current and potential revenue generating capacity of the Albanian forests while meeting the social and ecological functions of forestry.

The main outputs of the study will consist of data and information for the development of trade and marketing as well as resource pricing policies, marketing strategies and for the assessment of the revenue generation capacity of the forest sector.

The analysis of business and marketing environments (including the assessment of the social and ecological functions which the forests have to meet in addition to the purely economic function) within which the marketing of wood and non-wood materials and forest-based pasture and other services is and will be carried out.

The assessent of current and potential supply of forest and forest based products will make posibe a detailed identification, describtion, quantification and analysis of the current and potential availability of wood (industrial roundwood and wood fuels) by main species, non-wood materials (selected major principal non-wood forest products), pastures and meadows and other forest-based services (in particular hunting and wildlife) from Albanian forests taking into consideration the economic, social and environmental constraints.

Identification and characterization of the markets for wood (industrial roundwood and wood fuels) and non-wood materials (selected major principal non-wood forest products), pastures and meadows and other forest-based services (in particular hunting and wildlife). A specific census of exploitation entities and primary wood-processing industries (sawmilling industry, wood-based panel industries) and major industries using wood-fuels in Albania and fuel-wood family consumption, will form a part of the assessment of the markets. The market assessment will also include appropriate description and evaluation of current and potential exports of wood and non-wood materials.

The ways of assessing markets of foest and forest based products will be desribet and assessed in fuction of the main marketing factors (product, channels of distribution, promotion and price) for accessing the most promising and rewarding markets and market segments. Issues such as those inclduing the product will concern the product and quality grading; post-harvest processing of selected non-wood forest products, etc. As regards the channels of distribution attention will be on both the marketing and delivery channels. The review of the current system of timber sales will include an assessment of alternative forms of distribution channels, while the needs for the development of specific channels of distribution will be assessed for products coming from the newly established communal forests.

The design of alternative scenarios of the current and potential revenue generating capacity of the Albanian forests will be made possible as result of analysis done in the framework of this study and it will be in full complimentarity with the socio-economic functions of the forests.

The study will offer clear proposals for the concrete steps to be taken by the appopriate institutional and environmental authorities for marketing reforms and pricing policies.

AGRO-ALIMENTARY PRODUCTS TRADE POLITICS AND THE GLOBALIZATION EFFECTS

By:

Dr. Gjoke Uldedaj

Ass. Prof. Lush Perpali

1. PREFACE

Trading and the developments of this phenomenon in the last 10 years have had a positive impact on the international economic relationships and especially the international market. After 1992 this phenomenon in Albania presents an important step in the Albanian relationship with the foreign markets.

But it is also a fact that the trading politics followed in Albania have acted under monitoring international institutions, and the undertaken reforms and the democratization of the institutions have made possible that this economic phenomenon take place in Albania concerning:

- Trade liberalization
- Price liberalization
- Free exchange rate
- Minimization of subvention
- Retaining the protectionist level only in tariff level as a only element for defending the national production

The presence of these factors has been important for an open attractive market for the foreign and Albanian market, which is day by day changing to new dimensions.

This has been achieved also due to the open politics followed at the beginning of the economic reforms, creating a quick liberalization accompanied also sometimes by irregularities often off limits but with the only intention the favoring of open trade for foreign investors.

As a result, we can say Albania in its first steps faced: a quick liberalization of the economy, without a clear strategy of integration, without a studied reform of the institutions and trading politics.

2. TRADING POLITICS AND THE RELATIONSHIP WITH THE MARKET

In 1991-1993 the beginning of the application of the economic reforms, the trading politics applied in our country for the agri-alimentary products can be established as a politics of the emergent economic aids.

By means of critical imports the security of the basic needs for life for the people was aimed. Under these circumstances it could not be considered as a trading agri- alimentary politics. And some of the reasons were:

1. The lack of the trading structures with clear macroeconomic objectives for the development of the society.
2. The domination of the mentality of a centralized direction as well as the fact that many elements of the economy functioning were affected by the dual position.
3. The accumulation of many problems at the same time followed by immediate requests requiring urgent solutions.
4. The deep lack in quantity and quality of our products compared to those of the international market.

But an acceptable agrarian politics must include two moments:

- Encouraging steps and subventions on exports aiming secure exits in the international market.
- The internal support through direct aids in infrastructure, agrarian research, extensive service with the intention of launching most acceptable product prices by the consumer.

This is linked to three acceptable levels in the agrarian trade politics:

1. A policy of the national and local markets in order to defend the essential agro-alimentary sector, conditioned by:
   - The defense along the national territorial border
   - Favoring of local trade
   - The creation of trading infrastructure
   - The creation of protected local trading areas
2. A caring policy on the products destined to the world market.
3. A policy of deficit for some kind of products hoping they will be charged to the international market.

It serves to:

- The quality and prices of the product.
- The protection from the competition of the international market as a result of an economic aperture with regards to the pressure of a new phenomenon, 'globalization',

With regard to the liberalization of the economy this measures and phenomenon are considered as possible alternatives, if we add to this the fact that:

- 60 % of the population is rural and 68 % of the employees in agriculture.
- 72 % of the income of the peasant families is spent on food and 50 % of the family farms do not have any contact with the market.
- 55 % of the GDP comes from agriculture, most of the basic alimentary products are imported and we face USD $400 million agricultural imports.

2.1 RELATIONSHIPS TO THE MARKET

Today we are facing two stands: that of the production, which is dominating to the farmers, and that of sale, which is not satisfactory. Under these circumstances it is necessary that more attention be shown toward the marketing concepts.

It is a fact that theoretically the agriculture is a integrated market, but practically in the Albanian market dominate the imported goods and the export does not still reach the figures of the years 1980 in dollar value.

The membership in the WTO must be associated with a clear strategy, in order to be prepared for a huge market where the national limits are irrelevant and where the quality, quantity and information speed are decisive elements of survival.

Under these circumstances a principal objective is finding secure partners among developed countries and those under a developing process, as it is time to carefully watch for possibilities for the realization of advanced trading agreements.

This is linked to the fact that local integration serves as decisive means for the reduction of political, ethnical and economic tensions, creating in this way economic trading connections that prevent the disheveling of the economical equilibriums.

The open market and an economy under efficient bases are two important conditions for the survival in the global market. If Albania does not fulfill the second condition this is due to the basic instruments of an efficient economy, primarily to the privatization in the strategic sectors, the banking system and the accreditation system.

In this view the agro-alimentary market needs a long-term strategy. Important roles in this strategy have the investing policies in establishing fair export-import rates, considering that the up to date activity has created a structural disorder in the mobilization of the private asset invested in the country.

The private assets prioritized are invested in the circulating sphere and the natural cycle of trade P-M-P is completed in 80-85 % of the cases by means of import. This rate may be deepening even further under the globalization view if we do not undertake immediate measures. The only solution would be the following of fair politics and oriented toward the goods destined to export.

It is also necessary to establish a long and short term strategy for the necessary pubic investments which helps the entire agricultural process and the development of agribusiness in particular coordinated also to the legislation promotions and the development politics in the country.

2.2 THE PRICE POLICIES, FLEXIBILITY AND TENDENCES

All the economic reforms applied up to now in our country have greatly increased the possibility to use the prices of the agricultural products as a principal means of harmony for planning and administration. The experience of the latter years has shown that the increase of the national agricultural product prices is most important in order to achieve the objective of increase of production, income and investments in agriculture.

Under the present conditions the goal to be reached is to provide prices for the producers to judge as motivating in order to enlarge their rending and production.

But in order for the price policies to be efficient, we must not forget the interest conciliation between the producers and consumers.

We say this as in many cases the prices for some basic agricultural products such as corn, milk, vegetables of the season, fruits, meat etc, have been discriminating for the home producer.

The fact that producer prices greatly increased during 1992-1993 due to the liberalization of prices has been estimated as positive. This period served as a basis for the creation of a new vision in regards to the new situations faced by the Albanian Agricultural Economy.

The tendencies in prices for 1994-1995 are estimated in general as normal considering there has been a gradual increase without damaging directly the producer as well as the consumer. But the new financial-economic situations created in our country during 1996-1997, brought a great increase in prices were conditioned also by the decay of the renter system. The Albanian economy during 1997 was faced with phenomenon linked to the complete blockage of the economic activity, the lack of internal production as well as import dependence.

1.1.1 ENCOURAGING MEASURES FOR THE PRODUCER PRICES

Regarding the circumstances of the regulatory prices for the agricultural products, the basic aspect for the producer is the guarantee of a certain price level. Our idea is there must exist an official mechanism, which guarantees the purchasing of a part of the agricultural production in the levels of the import prices. The experience of other developed countries has shown that some basic agricultural productions, especially corn, potatoes etc, can be purchased by the state up to 15-20% of the production.

This considering the worsening situations in rural areas, with factors as:

➢ The use with no criteria of the agricultural land for construction,60 % of the population as well as an unemployment rate which is higher than in the urban areas.

➢ Consequences of the lack of the possibility and guarantee for the sale of their products with market prices.

Under this point of view if we refer to the years 1997-2000 the problems with the corn must be considered seriously as they are of considerable consequences. Although the Albanian farmers increased its production comparing to the previous years, the wheat producers are facing the consequences of imported wheat. These producers are suffering the consequences of an economic policy, which does not protect the home producers. Under these circumstances according to calculated cost, 1 kg home produced corn is equal to the cost of 1 kg imported wheat. In this way the Albanian producers have lost their battle for the same product, but as a result of import.

In this way the corn produced in the country is still staying in the deposits or sold at low prices and on the other hand, the wheat factories even though in working conditions do not have functioning motifs, creating thus even social consequences. This also for the fact that the imported wheat quality is higher.

3. THE EVOLUTION OF RETAIL PRICES FOR SOME AGRI-ALIMENTARY PRODUCTS FOR THE PERDIOD 1995-2000

The agri-alimentary products' prices in our country have had the tendency to systematically increase, they have evolved in a complex way and what is more important, the increase is estimated to be irreversible. In this frame we consider as natural and dictating the actions taken and the achieved results in the field of the prices of the agricultural products for the period 1990-1993. Extending our analysis in the years 1995-2000 (table 1) we notice the same phenomenon and the same tendency.

This increase in prices has been conditioned by many economical factors of this period such as: the reevaluation and stabilization of the market, the increase in demand, the confrontation with increasing inflation as well as a market with completely liberalized prices.

In these circumstances the unification of the prices of the domestic market with the prices of the international ones gave another impulse to the increase of the retail prices, especially those of the imported products.

In general we have observed an increase in prices during 1996, but some products sow stabilizing and even decrease in their prices. This on one hand is connected to a careful social policy for parity products, but on the other hand during this year we have noticed a 20% increase in production compared to 1995.

The most critical period, where the most drastic increase in prices was experienced is the year 1997, especially the first 6 months. This period shows a 70% increase in prices even though the government introduced mandatory prices for vital goods and services. The same tendency was observed during 1998-2000 as well with almost the same tempo as in 1997.

Table 1. Average yearly retail prices for some alimentary products 1995-2000

Nr	Article	1995	1996	1997	1998	1999	2000
1.	Grain	14.0	27.5	39	40.6	39.5	40
2	Corn	17.6	29.3	37	37.4	36	37
3	Tomatoes	72.7	97.5	117.6	145.5	60	55
4	Watermelon	66.2	45.8	51.0	125.1	120	110
5	Beans	114.9	93.8	101.4	192.9	150	170
6	Patatoes	36.8	36.8	50.2	56.4	50	55
7	Olives I	61.0	86.6	114.7	145.1	120	200
8	Cow milk	31	32.3	39.6	48.8	50	50
9	Calf meat	250.9	297.7	384.3	587.3	550	600
10	White Cheese	197.1	222.8	261.0	329.3	330	350
11	Eggs	7.8	10.7	13.2	14.5	11	12
12	Fish	208.1	259.1	332.4	393.4	500	700
13	Wheat rr. 70%	31.8	46.4	55.2	57.3	37	35

The aim of the price policy and trade for agricultural products and tools was the insurance of the rational distribution of resources. Through the step by step implemented price policy were created all the conditions for the domestic market prices to go towards stabilization and become comparable with the prices of the international markets.

4. THE DEVELOPMENT OF TRADE IN ALBANIA

4.1 THE INCREASED LIBERALISATION OF TRADE

These past ten years Albania has achieved the complete liberalization of trade. Currently, the import and export regime for consumption goods is totally free.

In spite of the market liberalization and export encouragement, the trade balance results deeply negative (the export-import rate is 1:8). With the potentials we have, agriculture and agri-industry are the branches with the most priority to be developed and aim the international markets. In these circumstances we should appreciate also some efforts connected with the trade regime:

➢ The tax revision together with other barriers of the sort with the same effect on exports.

➢ The implementation of a simple three step tariff system on imports, according to the tariff level based on the combined nomenclature of the goods classification, the 8 digit system of 5%, 8% and 18%.

➢ All imports(with the exception of technologies and machinery and equipment) are subject to Valued Added Tax VAT, whereas a category of goods such as cigarettes, alcoholic drinks and fuel are subject to another tax, the excise tax.

4.2 The Trade legislation

The compilation of the legal framework to support the trade policy has been the first step taken by the government. The first important laws are: "On the sanctioning and protection of private property, free initiative and privatization", "Trade companies", "On accounting", "On the banking system", etc.

In 1992 the complete liberalization of foreign trade was made, giving strong impulses to the growth of trade with other countries and created the premises for the creation of the new strata of Albanian tradesmen.

One of the most necessary and daring laws for this period is considered the law "On Prices and Tariffs" nr.7581 dated 07.07.1992. With this law, which was enriched the following years, the basis for the formation based on the demands of the free market laws of the prices and tariffs in Albania was set.

Year 1999 marks an important step towards the completion of the trade legislation. We can mention here the customs code with all its executive dispositions, the law for the new customs tariffs, the law on standardizing etc.

In application to these laws, Albania has drafted and approved a number of agreements on the field of trade (TBT; SPS; TRIM; TRIPS etc,). These agreements have been aided also by the active participation on part of Albania to the regional initiatives for economic development and trade encouragement. Here are included, among others, the agreements on the regional transportation (TTFSE) and those on the simplification of the trade procedures between the countries of the region.

Respective technical regulations, which have been modeled to match the standards and directives of the EU, have been approved in many specific sectors and especially in agriculture, such as in:

- The field of dairy products (included in the law on veterinary services)
- The field of agricultural products (included in the law on alimentary products)
- Seeds and (included in the respective laws)

<u>The reduction of the customs tariffs.</u> While formulating the new Customs code, the main purpose was primarily the protection of the Albanian farmer with the purpose of encouraging and development of those sectors where our country has productive and trade potentials, at the same time facilitating the consumer.

- Tariffs at the levels 2-5% represent raw materials, seeds, biological material, bread animals, grain, tractors, agricultural machinery, etc. With the coming to power of the association agreement these tariffs are aimed to be 0%.
- The materials and products that currently are subject to tariffs of 10%, representing products that are not competition to the domestic production and where Albania has no productive potentials, might be

subject in the future to a 0% tariff.

➢ When it comes to goods and products subject to tariffs of 205, products which keep a considerable weight of the domestic product as well as export potentials, the level of tariffs should me higher, meaning from 30% to 40%.

When it comes to goods and products that currently are not produced in our country, but in the future might have a considerable share in agricultural and alimentary products (here are included the products of the processing Industries that for the time being are unable to fulfil the consumers' demand) than we must take another stand. For this category of goods an acceptable decrease to 30% for the coming years should be applied. The decrease in tariffs should be uniformly done every year, starting immediately after the association agreement comes to power.

5.2.1 THE AGRI-INDUSTRY DEVELOPMENTS AND ITS OBSTACLES

After the land reform, the agricultural products processing industry and the production industry was immediately affected because of the lack of raw materials. About 90% of the 300 production units in the Albanian agri-industry were privatized but this did not mean they restarted production. It happened this way also because the most part of the technology was obsolete—their reactivation faced some problems:

➢ Lack of funds for new equipment

➢ The interruption of their functioning because of some common lines for heating and energy etc.

➢ The changes in the consumers' demands for alimentary products as well as the presence of import products with better quality and appearance

5.2.1 THE CURRENT SITUATION AND THE IMPROVEMENT OF THE MARKETING CHANNELS

The processed agricultural products contribute for 8% of the GDP and employ 5-65 of the country's work force. There are 2000 private enterprises in this field, 65% of which are in the grinding and bread sector. The average employee number in these enterprises is 6. We do not include here the joint ventures with foreign capital that have a bigger number of employees and are concentrated especially in the processing of olives and vegetables.

Most part of the managers in these enterprises lack the managerial and marketing knowledge and also lack the information on the characteristics and demands of the international markets. In most cases they see their presence in the market as limited or as a substitute to the imported products. Other obstacles are those connected to:

- The quantity of investment capital of these enterprises.
- The lack of contemporary technology and operation with high costs of raw materials

Under these circumstances it is important the strengthening of the position of the agricultural producing groups in the market which means that these groups should occupy an important place and play a primary role in the domestic market and new conditions of free trade with the countries of the EU.

The creation and strengthening of the groups or trading companies and their support with trading infrastructures is an urgent task for the creation of partnerships under the conditions of the free trade agreement.

5.2.1 STRUCTURES FOR THE INCREASING OF THE COMPETITIVE ABILITIES OF AGRICULTURE.

The collection, processing, trading and exporting structures are part of the complex development of the agri-business. Today the Albanian farmers are faced with the concern of finding markets for their products. The idea of unsold products, the breach lack or delay of markets are barriers to the farmers. Under these circumstances the creation of trading structures, that would permit them to increase their production for the market and thus increase their income, is urgent.

These past years' experience has shown that the method of individual practicality of the producer and seller farmer, the micro-markets in inappropriate places, wholesales etc, do not substitute the need for the creation of specialized collection, processing and trading structures for the agricultural and dairy products.

Other countries' experience has shown that these structures are created on the basis of interest and at the service of the producer, while the role of the state is in the financial encouraging policy through the credit system in this field.

On the other hand the processing structures are also of another specific importance. This because there is a very good possibility of a faster use of the capital created from trade and emigration in the agricultural products processing level. Among others this would prevent the "export" of the currency in order to purchase alimentary products in foreign markets and will fulfill the market needs, will create new employment opportunities, will bring to technology renovation and will lead to an aggressive export policy.

The market for processed agricultural products is made of a great number of production categories. In this frame the demand for traditional products with a low level of innovation such as fruit and vegetables is decreasing, while the demand for new products such as frozen and ready-made products is increasing. This is the reason why canned fruits and vegetables produced in the country are facing very aggressive price competition from imported products.

5.2.1 State policies for exports and competition

About 40% of the total exports is made of agricultural products. Under these circumstances it is compulsory that the trading policies that will be enacted now and in the future should take in consideration the peculiarities of this branch in order to create facilitating circumstances that will encourage even more the export of agricultural products, aiming at the increase of the farmers' income and the ensuring of the country's economic growth.

In order to achieve this it is important to have in mind that:

➢ We should aim the increase in production, increasing the quantity present in the market, thus increasing visibly the degree of fulfillment of domestic demand decreasing imports (Ex. The increase from 30 to 40Kv/ha grain will decrease the import of grain by 15%)

- The support of the agri-alimentary sector in the European standards brings to the replacement of imports with domestic products and increase of exports through presenting in international markets qualitative and standard products.
- Strengthening of the infrastructure of controlling the quality of agri-alimentary products.
- The domestic production of seeds and qualitative inputs in order to create a national physiognomy of the production of agricultural products.
- Differentiated credit policy for exporters.
- Customs policy for the replacement of imports.
- The support of large and efficient farms.

Marketing of Agriculture and Dairy products

By:

Prof. As. Arben VERÇUNI

Prof. As. Henrieta THEMELKO

Prof. As. Donika KERÇINI

Agricultural University of Tirana

An important moment of the Albania economic development is the transformation of agriculture sector from an own need supply system to a market oriented system. Only in this way, agriculture can promote the development of input production industries, agriculture processing industries and other activities related with them.

On of the main strategic objectives of agriculture development in Albania is the establishment of marketing systems aiming the stability of domestic agricultural products market.

This article is result of a study with the main objective of improving agriculture services. The study aimed at analyzing actual situation by collecting opinions of farmers and agriculture experts on actual production practices and giving some recommendations on ways for their improvement in the future.

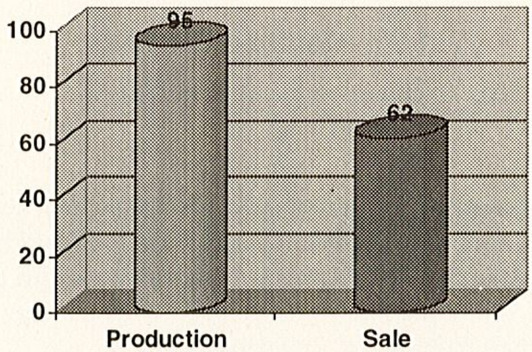
Information presented in this material is based on data coming from interviews realized directly with the farmers, interviews with focus group and interviews with agricultural experts as well as other statistical data. The study is conducted in 4 prefectures consisting on a representative area of Albania.

Based on several factors influencing farm activity, a clear social economic profile of farms in Albania is defined.

Actually, the production of goods for the market on family farms in Albania is not yet an objective since the number of farms producing mainly for selling in the market is too small.

As you can see in Figure 1, in the area of the study, farms that sells their products counts for 54-65 %. The connection with the market is at good levels at those areas known for a more developed agriculture and good market access and infrastructure compared to other ones.

Figure 1: Sales against production



Marketing activity for basic consume products of Albanian family farms (wheat-28%, bean-29%, potatoes-26%, vegetables-21% and fruits-24%) is relatively low what shows a high level of self consumption for these products within the farm (Annex-Table 1). The situation is different regarding tobacco, which marketing is relatively developed on 75 % of the farms producing and selling tobacco.

Regarding livestock, the percentage of farms involved in selling activities against those producing varies from 2 % for work animals to 63 % for cattle. The last ones have high selling prices because they provide reproduction basis for flocks (demand) and also relatively good and sustainable incomes for their owners (offer).

Marketing activity for cattle for meat production compared to that for live animals is too limited showing the important role it has for the reproduction of livestock flocks. So, percentage of farms involved on activities for selling killed animals varies from 24 % for cattle to 83 % for poultry.

Regarding market location for agriculture products produced by local farms of the study area (Annex-Table 2) results that farmers sell great part of basic family consumption products (wheat-53%, bean-49%, potatoes-33%, vegetables-9% and fruits-19 %) at the respective district center. Therefore, this is the main market for marketing of above-mentioned products. Analyzing these products results that wheat, potatoes and beans, which are not vulnerable products, the district center is absolutely their main market. Regarding vulnerable products as vegetables and fruits the second important market is the local one.

Ranking of agriculture products markets according to their importance will be as following: District center, local market, village, road side, other villages, other districts' center, directly to the buyer, State enterprises.

Interviews on location of market for selling live animals shows the most important one for the cattle are local market and less important other places directly to the buyer. Selling to state enterprises is not an option. The reason the local market play such an important role for trading live animals is these market have a traditional well known location where farmers trading since several decades. Regarding sheep and goat trading, their most important market is the district center and this is for the high consumption of their meat in Albanian families.

Considering the percentage of sales realized by farms selling live animals, the ranking of market by importance will look differently as following: local market, village, district center, directly to the buyer, other districts' center.

While killed animals main market is the village and this is because of lack of infrastructure and refrigerating vehicles that will enable this product to reach the market without damaging the quality.

Regarding dairy products markets, the interviews show that for example the milk main market is the village where 50 % of the farms trade milk. This is because of vulnerability of the product and lack of infrastructure that not enable this product to reach far markets in a not processed form. Second important market is local market where 23 % of the farm families trade milk. Other important markets for this product are district center (10 %) and roadside (8 %).

Relatively high level of sales in the village and local market is because a considerable milk quantity is sold to milk collecting and processing centers that work for dairy products producers or realize wholesale activities.

So, considering their importance dairy products markets are ranked as following: village, roadside, district center, and other places directly to the buyer.

Analyzing buyer subjects (Annex-Table 3) result that main buyers of farm dairy products are wholesale and retail traders and especially the Tirana market, which is a huge market for these products considering the high population number and the existence of consumers with high-income level.

In Albania, there is no marketing activity done by Trading or Consumers Cooperatives since they do not exist. This makes wholesalers to have a monopsony position against farmers.

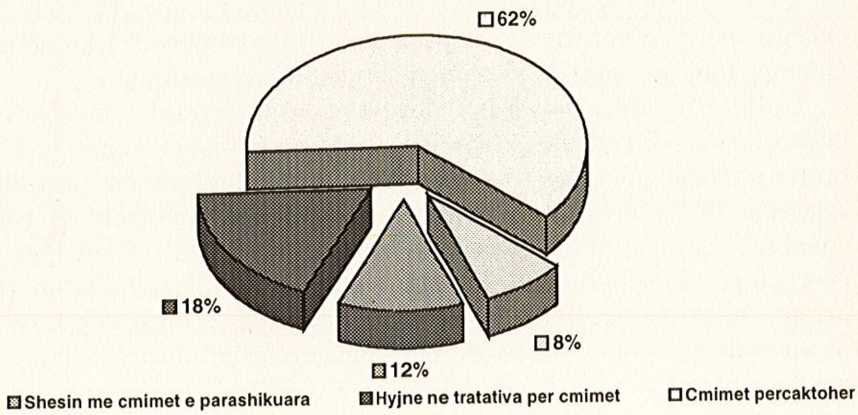
Under these conditions, the organization and functioning of trading cooperatives is the most suitable way of integrating farmers to the agribusiness system. Cooperatives' control over as much space as possible in this system will strengthen the role and increased incomes for the farmers.

Regarding buyers of dairy products, results that Tirana market is the main buyer (36 %) for products as milk, butter, cheese, etc. More over, at the same level are wholesalers (32 %) and private processing enterprises. It is unusual the low level of cheese sales compared to other products in the Tirana market and it is for only a small number of farmers directly sell self made cheese in this market. The marketing for this product in the Tirana market is prevailed by big or small processing enterprises, which leave no space for farmers, and this shows that there are good potentials for differentiation, labeling and promotion of cheese in this market. This also explains why 55% of farmers sell their milk to private processing enterprises.

Weak connection of farmers with markets is conditioned mainly by lack of specific infrastructure for preparation, standardization, conservation and marketing for these products, lack of transport infrastructure, legal framework and control and information services, lack of contractual agreements between producers, wholesalers and processors, etc.

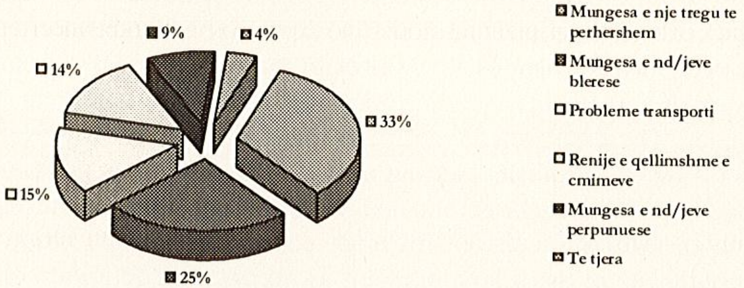
Regarding the possibility of realizing foreseen prices (Figure 2), the interviews show that 62 % of people say the seller sets prices. This is because the farmers' market is a perfect competitive market that minimizes the market power and the possibility for agreements between farmers. Also, the fact that the contract system does not exist enables buyers in production boom periods to impose low prices to the farmers. Only 18 % of farmers enter on agreements regarding prices and 12 % of them sell to the predefined prices. These last ones are farmers that have contracts because of their good quality products (setting a confidentiality relationship with buyers known on personal basis) and non-spontaneity in reaching the market. Also, 8% of interviews show different reasons for leaving price setting to spontaneity at the selling moment as no price predefinition or in case of usual clients the price is not changed for not to loose them.

Figure 2: Possibilities for selling at predefined prices



Regarding general marketing difficulties, interviews result (Figure 3) show that great part or 33 % of interviews define lack of a permanent market place as main difficulty. This great number is related to lack of contractual system so farmers are always looking for new buyers for their products. Also, farmers are always threatened by unexpected events caused by import products, which in some cases put them out of the market. The difficulties ranking is as following: 25% lack of buying enterprises; 15% transport problems; 14% anticipated price fall; 9% lack of processing enterprises and 4% other difficulties.

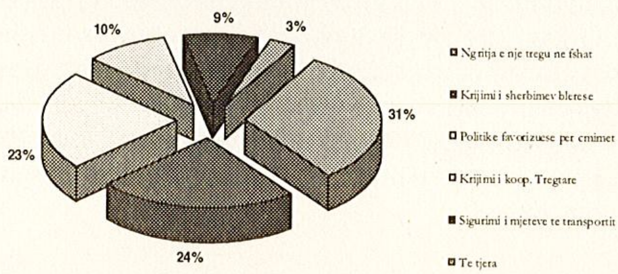
Figure 3: Difficulties in selling products



Great part of the interviews or 80 % require the improvement of commercial transactions that show the high level of people unsatisfied with the actual situation. 18% of interviews declare they produce mainly for self needs supply and have not deal with market issues yet. Only 2 % declare they are not for any improvement in commercial transactions meaning they are satisfied with their actual market position.

Collecting opinions regarding the commercial transactions improvements directions, the result was (Figure 4) that great part or 31 % prefer establishment of a village market; 24 % establishment of trading services; 23 % favorable price polices; 10% establishment of trade cooperatives; and 9 % improvement of transport services. Relatively high percentage of those suggesting establishment of a village based market means either the development of marketing activities between farmers on specialized agriculture conditions that require products exchange or market infrastructure development in the village (store capacities, refrigerators, processing facilities).

Figure 4: Possible improvements of commercial transactions

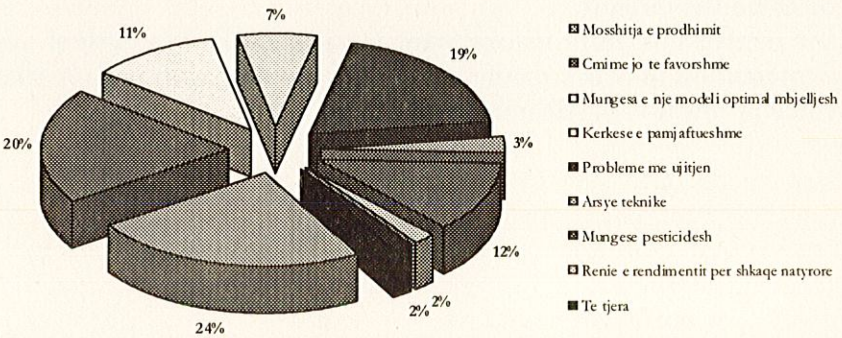


Regarding arguments for changes on the production structure for the future interviews show the following arguments (Figure 5): products are not sold (24%); no favorable prices (20%); irrigation problems (19%); lack of pesticides (12%); lack of an optimal; planting model and exposition to market uncertainties (11%); not enough demand (7%); technical reasons (3%); yield fall by natural reasons (2%); Other (2%).

Figure 5: Reasons for not producing the same products in the future

If we try to find the reasons of all problems farmers are dealing with related to marketing, they are multi dimensional and mainly consist of: relative impossibility to forecast and control production volume; difficulties on increasing agriculture product prices through individual or group actions; competition that decrease the difference price-costs; ability of traders for superior agreements gaining certain control over farmers decision and markets; non participation of farmers on marketing activities as advertisement, processing and sale; etc.

Lack of organized and solid marketing channels has negative effects on farm commercial activity. Agriculture product buyers using their monopsony position have the full control on these channels.



Based on concrete view of farm marketing problems and considerations related to this issue **we will recommend the following**:

- The necessity of removing farms from their actual self-existence stage to the market oriented stage requires the compilation of policies that support and promote farm size increase, production structure changes and specialization.

- Possible interventions for improving existing infrastructure situation as better roads, improved transport vehicles, higher storing capacities, suitable market places, will change the role of existing markets, improve commercial transaction and increase farm products trading level.
- Establishment of marketing channels with competitive acting companies will benefit to farmers and also will contribute in solving the contradiction between offer of agriculture products distributed in an increasing number of farms and demand focused on specific markets.
- Introduction of contractual system between farms and their trading partners, establishment of trading cooperatives and common advertising attempts will considerably improve farm-marketing activity affecting agriculture product prices increase. Adequate help in these directions will increase possibilities for the regeneration of their marketing potential.
- Regeneration of agro-processing industries will provide secure markets for farm products as well as good incomes for them.
- Farm products market development, meaning production and marketing of new agriculture products for the Albanian consumers, will increase demand for farm products and also will provide additional incomes for the farmers.

As conclusion, farm involvement in an agribusiness system and implementation of active market supporting policies will make market oriented production of Albanian family farms a strategic objective.

"Increasing the System's Competitivity" as a necessity to increase exports

By:

Dr. Engjel SKRELI

Dr. Anila TANKU

1. Introduction

In the beginning of the last decade, Albania went through a series of political and social-economic transformations, which have overthrown the previous existing basis of agricultural and industrial production, erased or heavily damaged many of the previous existing structures (i.e. greenhouses, fruit orchards and irrigation systems) and left a myriad of small enterprises in many sectors. The sustainable economic development has been further more obstructed during the unrest of 1997 and the war in Kosovo.

Agriculture is the dominating sector of the economy, where yields are still low and many farms depend on the income from other non-agricultural sectors. Imports of agricultural goods surpass exports and the country is not dependant on important products like cereals or oily seeds. Outside agriculture, a considerable part of income that is available for consumption is obtained through transfers and payments and a part of the economic activity is not legalized. Because of a population of 3.5 million inhabitants and the low level of income, the Albanian domestic market is small, which discourages local investments. Therefore, during the last decade, imports have replaced domestic production in several sectors and the country's trade balance has been rather negative.

Every export development starts from a very weak basis and cannot be implemented within a short time span (despite certain exceptions like fishing, medicinal plants, herbs and spices, etc.) During the next decade considerable efforts need to be undertaken to increase the output and produce goods of marketable quality and in quantities that would be enough for exports, in order to recapture lost consumers (i.e. other Eastern European countries) and gain new consumers from countries of the European Union and other intended areas (i.e. former Yougoslav republics).

The problem: The low level of exports and related reasons

2. Trade volume

Despite trends toward an open market, Albania still has a low market volume against GDP. During 1999, the market volume against GDP reached at 34 percent. Meanwhile, for other countries figures are indicated in the following table:

Table 1. Trade contribution to the GDP in countries of Southern Europe

Country	X+M/GDP
Albania	34
Bosnia-Herzegovina	83
Bulgaria	91
Croatia	61
Former Yugoslavia	40
FYROM	91
Romania	58

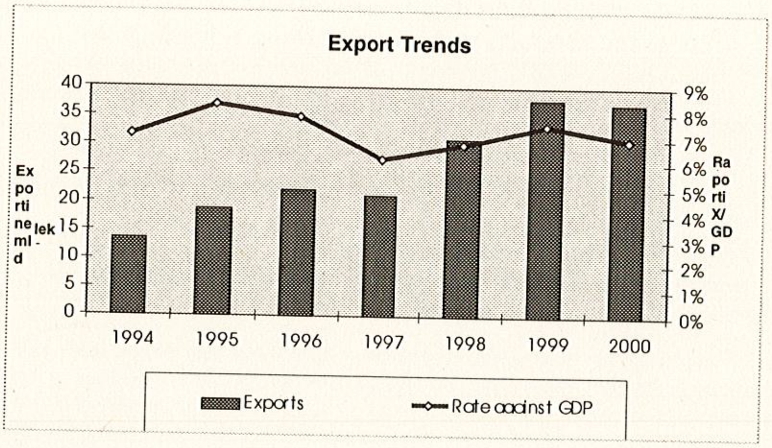
According to the analyzed data, the trade volume for the year 2000 is slightly reduced by 10,7 percent in comparison with the year 1999. This is mainly caused by the considerable inflow of aid during the Kosovo crisis.

In comparison with the year 1993, which is considered as the main year for the last decade, the growth is twofold or 194,3 percent with an annual growth rate of about 27,8 precent. Such growth of the trade volume is an aftermath of a better development of the Albanian economy and its opening to the rest of the world.

2.1. Exports

During the year 2000, exports were reduced by 6 percent in comparison with 1999. In the long run, exports in 2000 have been increased 2.1 times or by 211.9 percent (with an annual growth rate of 30.3 percent) compared to 1993. This implies an overall regeneration of the economy and increased national revenue.

Net exports for every year of the last decade, result in negative figures. The rate of export against the GDP for the year 2000 is 6,9 percent while in 1999 it was 7,5 percent. The above data are indicated in the following chart:



2.2. Imports

During year 2000, imports have increased by 17,9 percent in comparison with year 1999, which demonstrates the ability of the Albanian market to absorb products from other countries.

By comparing the current data with the year 1993, one can say that imports have invreased 2,53 times or by 252.8 percent with an annual growth rate of about 36.1 percent. The rate of imports against the GDP, or said differently, import trends during the year 2000 is 28.4 percent while in 1999 this rate was 24.6 percent.

The analysis of the factors that have caused such situation, leads to the conclusion that this situation is mainly due to the technological factor: unsuitable and partly obsolete technologies; limited opportunities to get information on the modern technologies and markets; low yields and capital, which are very closely related with the cost and viability factors; high cost per unit of production; low quality of products that fail to meet international standarts; poor viability of companies; lack of knowledge on modern production methods; lack of proper skills on strategic management and marketing, inadequate enterpreneurship skills with regard to markets and exports, financial factors and limited capacity for investments; limited financial resources to undertake investments and cover operational costs; poor communications capacity (i.e. access to Internet, etc,)

Does Albania have comparative advantages and where do they come from?

In relation to geographical location, tradition and current development trends, some of the products with a comparative advantage are:

- Medicinal plants and herbs (a short-term opportunity).
- Early and late fruits and vegetables (a short and medium term opportunity).
- Canned products like olives, olive oil, canned tomatoes (a short and medium-term opportunity).
- Tobacco and cigarettes (a short-term opportunity).
- Fresh fish and processed seafood (a short and medium-term opportunity).
- Cheese (a medium-term opportunity).

Export potentials for meat, meat by-products, vine, spirits and honey seem to be less promising in the short run, but they will become more promising in a medium or long term once the companies will become more capable of competing in the international markets.

Other sectors [1)]

- Clothing and shoes (further consolidation of ordered production is recommended in order to further improve the capacity to compete in the international markets).
- Wood products (further consolidation and development of wood processing capacity).
- Tourism (in the long-term, once infrastructure and service capacity are improved).
- Strategic sectors for privatisation and concessions like chromium, natural gas, telecommunications, and energy distribution.

Because the above analysis of export and investment potentials is focused on the SME only, such sectors like extraction of minerals and oil, and classic services (telecommunications, energy, water, etc.) have not been taken into consideration at this stage.

Such comparative advantages emerge from:

- ➢ The good reputation as business partners in selected sectors (i.e. clothing and medicinal plants).
- ➢ Favourable natural conditions (i.e. for early and late vegetables, tourism and extraction of minerals).
- ➢ Vicinity to EU markets for transferring the technology, production and development of exports.
- ➢ Relatively educated and technically trained man power (i.e. for production of clothes).
- ➢ Existing facilities for storing and/or processing.
- ➢ Existing infrastructure for marine transportation.
- ➢ Liberal legislation on direct foreign investments.
- ➢ Low cost of man power.
- ➢ Unexploited opportunities for reduction of costs and utilization of capacities.

Every export development starts from a very weak basis and cannot be implemented within a short time span (despite existing efforts). During the next decade considerable efforts need to be undertaken to increase the output and produce goods of marketable quality and in quantities that would be enough for exports, in order to recapture lost consumers (i.e. other Eastern European countries) and gain new consumers from countries of the European Union.

The existing platform of exports in Albania consists in the increased competitivity of the system.

This challenge is related to:

- ➢ creation of conditions for emergence of competitive capabilities,
- ➢ creation of a favorable culture for exports and investments,
- ➢ establishment of a network of actors,

in order to benefit from the existing facilities and development of new industries for exports.

Knowing the current developments of the Albanian industry in the regional and international markets, the exports strategy would not provide enough support by simply focusing on trade promotion (market accessibility and promotional activities). Instead, the strategy must address the major concerns related to current weak competitivity. Many neighboring countries ara competing for export markets. Therefore, we should take the necessary actions that are consistent to market demands that aim at sustainable development of export capacities.

The proposed expots promotion strategy aims at creating an economic policy and a suitable institutional framework for the sustainable development of business and trade. It is not focused on short-term inefficient impacts, but on the long-term achievements of the Albanian industry. It is clear that the myriad of problems impeding the development of private sector cannot be resolved quickly or easily. Albanian exports cannot be expected to regenerate easily without supporting activities. A 10-year period would be the minimum time span needed before sustainable improvements will take place.

Exports promotion need coherent, inter-disciplinary and multisectorial efforts. Therefore, the essence of the strategy success is the system's capability to compete, based on principles of the sustainable partnership between public and private subjects.

The efficiency of the partnership between the public and private sectors will be essential for the successful exports promotion. The new role of governmental, public and private institutions in exports promotion must be defined in line with the current political and economic trends:

- political liberalization and decentralization,
- reduced public expenditures,
- partial withdrawal of state agencies from services provision,
- needs to increase the efficiency of services offered to the exports industry.

3. Exports promotion

3.1. Role of Government (Ministries)

The Government's role is to guarantee country's economic and social development. In this context, the Government does not participate directly in economic activities but intends to ensure the best functioning of economic and social systems, in order to achieve a sustainable social welfare. Under conditions of a limited budget, approaches like market improvement and provision of private sector-oriented services, should not be provided by the Government but by the private sector.On the other hand, the Government needs to understand that its role in future will not consis in revenue generation (from taxes) only, but it should also create a favorable environment for the development of exports and private sector. The new role of government will consist in:

- considering and promoting exports as a priority activity in the economic development policies, guaranteeing a sustainable commitment in exports promotion;

- creating a favorable legal, regulatory and economic environment for the development of private sector and exports;
- providing a political leadership in the strategic planning and implementation of export promotion;
- foster the competitivity of the Albanian industry with regard to promotion of quality, effective costs, productivity, satisfaction of market demands, etj.

3.2. The role of public and private institutions

The private sector would be the best option to offer demand-oriented services, not only because of limited public resources, but also due to the need to increase responsibility and efficiency in offering services. Albanian businessmen have already understood the need for services from private institutions (they offer services of a better quality) as well as the need for improved support from public institutions for simple public services.

The role of public and private institutions is to:

- facilitate export related procedures (state institutions like agencies that are responsible for planning and implementation of development strategies, customs administration, tax offices as well as food control and standarts offices);
- facilitate self-supporting capacities of private enterprises (private business institutions like chambers of commerce, regional development agencies, consulting companies, etc.)

3.3. The role of community and business

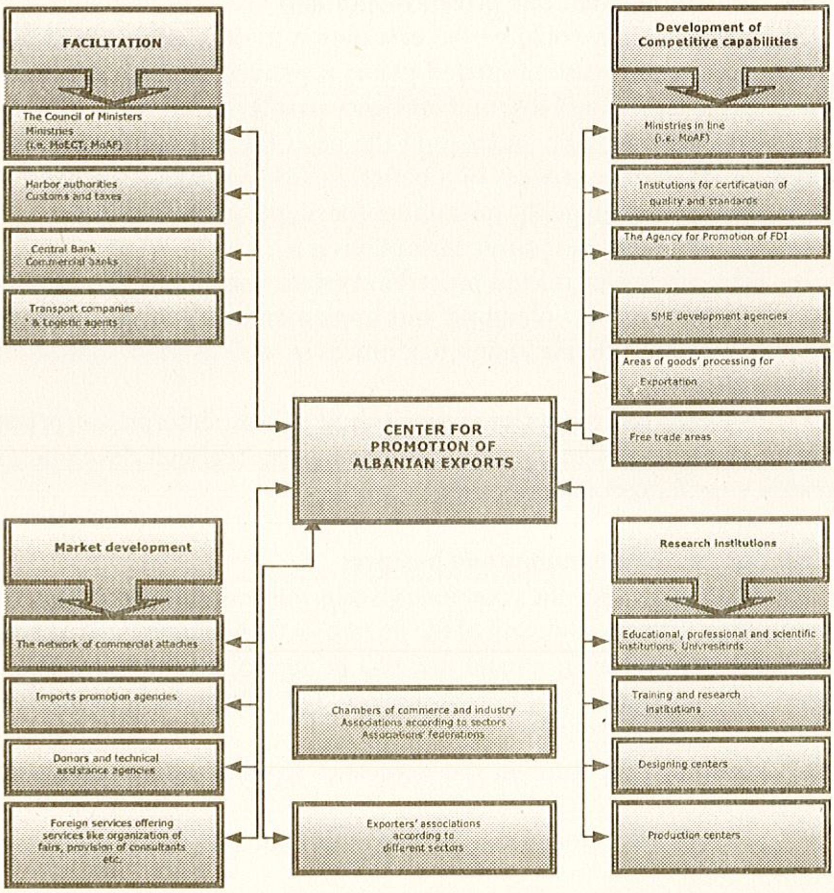
The main impact for the economic growth will certainly come from the private sector. The development of the private sector will lay foundations for a favorable political environment and will be supported through efficient business oriented public and private services. The role and responsibility of the business community is to:

- become competitor in the domestic, regional and international markets;
- produce according to market demands for quality, model and prices, deadlines, etc.;
- join efforts by establishing cooperation with other entrepreneurs and

service institutions in order to strengthen negotiating capabilities of private companies (small and medium-sized) and benefit from economies.

As stated above, the Albanian industry may become competitive in the international markets only if all stakeholders – enterpreneurs, private business services and governmental services – have the will to coordinate efforts for strengthening existing potentials. The following figure shows the ideal of operational linkages that need to be established, in oder to have a fruitful and effective coopeation among actors.

Figure 1. The proposed future network for implementation of the Exports Promotion Strategy



Source: ITC, the Executive Forum on National Exports Strategy Promotion – applied to Albania's situation

4. Conclusions and perspective

Referring to the negative trade balance, the only alternative for a long-term sustainable economic development, is the utilization of existing potentials for increasing exports to regional and international markets. The assistance provided to the Albanian industry to become competitive in international markets is a priority prerequisite for the country's integration in the European Union.

The biggest challenge will be the improvement of competing capabilities in the long-term. This will improve the ability to react to business conditions and environment and increase the competitivity in both domestic and international markets. The strategy is a tool to ensure a higher industrial growth and generate employment by taking into consideration the current potential and weaknesses of the Albanian industry. To achieve better results in the exports, a coherent interdisciplinary and intersectorial attitude is necessary. Hence, the concept of competitivity as a system is chosen and emphasized as viable support for the Exports Promotion Strategy in Albania, based on principles of sustainable partnership between the private and public sectors in an integrated attitude including:

- ➢ market oriented production and logistics (the role of business community);
- ➢ business oriented services (the role of public and private organizations);
- ➢ business oriented legal and administrative conditions (the role of government).

Direct foreign investments are an approach for developing the existing export potentials, building of new export capacities, introduction in international markets and creation of dynamic comparative advantages. Therefore, promotion of direct foreign investments in Albania would play an important role in supporting export-oriented production. Furthermore, the SME strategy that was approved recently will contribute to improvement of the Albanian industry, which is mainly comprised of small and medium-sized enterprises. Therefore, the chosen attitude must ensure contribution from the above three sources that are SME, direct foreign investments and exports promotion.

A strategic approach for exports promotion aims at involving and establishing close cooperation among all actors, in oder to benefit from additional sources and synergy effects.

The main elements characterizing the Albanian approach toward exports promotion, as indicated in the presented strategy, are:

➢ the official integration of exports in the overall strategy of economic development;

➢ institutionalization of the partnership between public and private institutions in planning and implementation of strategy monitoring and improvement;

➢ establishment of an institution for exports and investments promotion that would coordinate its efforts with the network of implementing agencies;

➢ improvement of legal framework and congregation of administrative procedures,

➢ promotion of the Albanian industry for an integraded development, beginning with the improvement of competitivity in international markets and promotion of exports and investments.

To ensure the best overall economic development of Albania, additional approaches and synergy effects must be used. Therefore, special emphasis will be placed on the effective cooperation between all actors and the efficient coordination of donors' contributions.

Food Supply & Supporting Policies Nowadays Challenge

By:

Dr. Zef GJETA

Roland LARASHI

SPFS – ALB/96/008

FAO Special Project on Food Supply

1. General Background

Since long time ago, providing food supply for the whole population has been a worldwide concern. Several countries have difficulties in this issue, but the most problematic is the situation in non-developed and developing countries, especially in those having crisis and unexpected unpredictable immediate transformations.

Since there is a huge backwardness in agricultural development in several countries all over the globe it is necessary a really big investment toward improving technologies, increasing input quantity and quality, service level and processing and marketing of agricultural products in general. Actually, all over the world, there are about 800 million people suffering because not able to fulfill their daily needs for food supply.

For decreasing as much as possible the number of people suffering food deficiency, several governments, powerful regional groups as well as different international organizations are committed to contribute in this issue. According some calculations done, in the first decade of this century about 86 billion USD is needed for agriculture development (including here irrigation problems too), 45 billion USD for the processing enterprises and about 40 billion USD for infrastructure and public services.

What is greatly emphasized is the need for a higher involvement of private investment in the agricultural sector, mainly investments realized by the farmer himself in his own farm. These consist of investment for improving soil quality, reducing erosion, upgrading planting equipment and technologies, increasing livestock number and race improvement, establishment and development of processing centers, etc.

Developed countries and different organizations established to help poor countries in different life aspects are focusing their efforts on the important issue of food supply. Recently, FAO, one of the biggest organizations under UN, has prepared a detailed strategy for establishing and implementing special programs for food supply all over the developing countries. The aim is to encourage an optimal definition and allocation of public and private investments for supporting human resources, food systems, and agricultural products including fishing and forestry in a sustainable rural development, to provide food supply for an increasing number of people.

Actually, all over the world, there are 94 programs, called "Special Programs for Food Supply" (SPFS), and one of them is working in our country. This is a project designed mainly by Albanian experts with the assistance of FAO-Rome and approved since 1996. In spite of some objective reasons its implementation starts only in May 1998.

2. Situation in Our Country

Since the collapse of centralized economy at the end of eighties, some steps forward are taken for the implementation of several institutional and re-structuring reforms in Albania agriculture. These reforms aim at creating conditions for improving the food supply situation at family and national level as well as rural poverty reduction.

Following the 21st century challenges related to globalization, trade liberalization, social justice and gender parity, the Albanian Government consider agriculture as one of its important development priorities, either, the agriculture sector counts for 53 % of GDP and has employed 60 % of the labor force, or the country has a good potential for exporting agro-food products considering ecological conditions and the strategic geographical position.

Considering the important part of agriculture in the Albanian economy, this sector has to play a key role in every development strategy of the country. Challenges of poverty alleviation and improving food supply situation will be faced mainly by increasing incomes for rural areas and adding values to agriculture products.

Albania has the possibility to get advantages in the agricultural production compared to other neighborhood Mediterranean countries, where the production is increased directly by intensive growth of vegetables, flowers and fruits, including vineyards and other industrial products. The presence of free labor force and limited possibilities for their employment, support the development of crops requiring more labor force. Use of this high potential will require a change in production technology and satellite services, including research, extension, training and marketing.

Positive trends are seen on the dynamics of agricultural products and foods. However, the progress flow for the economical rehabilitation of the agricultural sector is considered very low since the productivity level is far away from country potentialities.

In order to alleviate rural poverty, it is necessary to focus the objectives of future policies and investments in rural agricultural sector of Albania toward the growth of agricultural productivity to assure a sustainable use of natural resources. This will contribute in increasing incomes for agricultural farms and improving country trade balance.

Albania has some advantages for the successful development of the agricultural sector, as following:

(i) Favorable geographic position connected to European Community countries (Italy, Greece), on the Balkans close to Turkey and other Middle East countries,

(ii) Low salary level,

(iii) Literate people and relatively well trained, and

(iv) Flexible and dynamic private entrepreneurs.

At the other hand, also some obstacles and difficulties exist and have to be known and avoided for essentially minimizing their impact. We will mention the following:

(i) Very small and fragmented base for farm agricultural resources,

(ii) Few possibilities for capital enlargement and investment in new intensive technologies,

(iii) Limited export markets, and,

(iv) Institutional capacity not fully developed yet.

Generally, the concept of family food supply can be defined as the ability of families to produce or by food products at enough quantity for guarantying the fulfillment of family member needs. At national level, the best definition corresponds to achieving the adequate equilibrium between demand and offer at reasonable prices. Between years 1980 and 1993 the requirements of total energy for food are increased by 1.3 % a year

Mainly, as result of population growth and changes in the population structure these requirements will increase by 1.6 % from 1993 to 2010. The coefficient for this growth seems to be higher in urban areas, where it was 1.6 % a year between 1980 and 1993 and is foreseen to be 3.0 % a year from 1993 to 2010.

Influenced by several social economic factors, the level of self-supply for food needs is different for different population categories. In rural areas the food needs are usually self supplied (produced), while in urban areas their supply depends on imported products. Since incomes will continue to be at a low level, the percentage of incomes expended for food will be very high yet, counting for 75 % of the family income.

The available food in Albania for the year 2000 was about 2'975 Kcal/person/day, half of it produced by wheat, and only a small part provided by meat and other dairy products. Typical Albanian diet is based more on wheat, as bread. Potatoes, white beans, cabbages, eggplants, tomatoes and onions are regularly consumed compared to other leaf vegetables and citrus that are rarely consumed.

As result of irregular and seasonable supply of food products as well as high prices (compared to incomes), Albanian's diet is not at optimal levels yet. Even in the near future, it will still be monotonous and based on few articles and many others consumed for a certain period of the year. However, these data do not provide an indicator of food supply level at family or individual level, and the qualitative improvement of the diet will need some more efforts.

3. Some Data About Food Needs supply Situation

The collapse of centralized economy in 1990-1991 was followed with a drastic decrease in agricultural products down to 40 %. Therefore, the situation in the country changed from a food needs self-supply to a foreign food aid dependent country. In 1995, the quantity of imported food products was around 183 million USD, while the exported food products count for about 17.5 million USD. Main imported articles were wheat flavor (25 million USD), sugar (20 million USD), cooking oil (16 million USD) and chicken meat (14 million USD).

Actually, the national cereals and other food balance are provided by import. In 1999, for example, the import of food products was around 216 million USD, while the export counts for only 27 million USD. Even in the last years, wheat and wheat flavor are the main imported food products.

Food supply at family level has been considerably improved since the beginning of nineties, and a huge variety of products are available all over the country with relatively constant prices and small differences. However, family food supply still remains a problem for poor families, especially those living in the north-north-east mountainous areas.

However, many of the food products needed for a diverse healthy diet can be found in the market, they far from the financial possibilities of those families living mainly in rural areas or even in sub urban areas. In these families, food deficiency is more a problem of lacking purchase power for buying foods as the incomes are very low, then e problem of foods lacking in the market or in proper supply of foods.

From the total population of 3.3 million people, it is estimated that about one fourth, living mainly in rural areas, are living below the critical poverty limit. Poverty is the main obstacle for food supply mainly in northern and northeastern regions. According to the last estimation of poverty level, about 83 % of poor people are living in rural areas and about 60 % of them are small farmers. In Albania, almost 2 million people live in farms with an average size of 1.1 ha divided in 3-5 small units. Average incomes from the farms are about 350 thousand lek (or 2'500 USD/year, or 1.3 USD/day/capita for a family with 5 members).

Rural poverty level depends on several factors as small farm size, low soil quality, lack of marketing and possibilities for other employment outside the farm. Big differences exist between farmers in the flat area and those in the hilly or mountainous areas. Main factors influencing these differences between areas are agricultural potential, possibilities for employment outside the farm, nearness to urban areas (especially big cities), rural and agriculture infrastructure situation, etc.

In northern and north-eastern regions, almost one third of the population lives under the poverty limit and one fourth lives in very small farms (less then 0.5 ha per family and divided in several units) and are not able to achieve the surviving level only by farm incomes. Generally, in many of rural areas, a considerable part of incomes is expended for food products counting 75 % of the family incomes.

In 1982, food supply has been at the level of 2703 kcal/person/day, where 12 % (79 g) was coming from proteins and 20 % (61 g.) from fat. In 1993 food supply provided 2 349 kcal, 13 % (76 g) from proteins and 27 % (72 g) from fat, demonstrating that the offer was reduced although there above the total physiological requirements for energy. In 1993, cereals counts for 52% of the total energy offer, milk 6 %, vegetable oil 8 %, dairy products 26 % and other fats for 11 % of the total energy requirements.

Based on data from MoAF, the available food in Albania for the year 1999 was about 2'975 Kcal/person/day, half of it produced by wheat, and only a small part provided by meat and other dairy products. Typical Albanian diet is based more on wheat, as bread. Potatoes, white beans, cabbages, eggplants, tomatoes and onions are regularly consumed compared to other leaf vegetables and citrus that are rarely consumed.

As result of irregular and seasonable supply of food products as well as high prices (compared to incomes), Albanian's diet is not at optimal levels yet. Even in the near future, it will still be monotonous and based on few articles and many others consumed for a certain period of the year. However, these data do not provide an indicator of food supply level at family or individual level, and the qualitative improvement of the diet will need some more efforts.

In 1999, for example, the import of food products was around 216 million USD, while the export counts for only 27 million USD. Even in the last years, wheat and wheat flavor are the main imported food products and recently their imports counts for 200 and 400 ton/year and humanitarian food aids has been insignificant. According to MoAF estimations, demands for cereal import (commercial year July 1999-june 2000) were about 480'000 ton, from which, 373'000 ton wheat, 81'000 ton maize, 17 ton rice and 10'000 ton other cereals.

Rural poverty level depends on small farm size, low soil quality, lack of marketing and possibilities for other employment outside the farm. Big differences exist between farmers in the flat area and those in the hilly or mountainous areas. Main factors influencing these differences between areas are agricultural potential, possibilities for employment outside the farm, nearness to urban areas (especially big cities), rural and agriculture infrastructure situation, etc.

Grand part of the poor people, either in urban or in rural areas, has no possibilities to provide the necessary food supply both in quantitative and qualitative aspects. Malnutrition remains a serious health problem in Albania. Monotone food and lack of food microelements is seen mainly in rural areas.

In urban areas, 18 % of the population lives under the poverty limit, considered to be 1 USD/day for an adult. Poverty level in urban areas varies considerably among cities. It is about 10 % in "old" Tirana, Lezha, Kruja, Duuresi, Elbasan and Fier, but it is about 20 % in sub urban regions of Tirana. These data are related to unemployment level, education, incomes from emigrants, and so on. Families in urban areas expend about 70 % of their incomes for food products and about 12 % for electric power. The majority of population in urban areas receives inadequate urban services and is exposed to environmental conditions dangerous for their health.

4. Special Project on Food Supply

As mentioned above, the Special Project on Food Supply (SPFS) starts its activity in 1998. It is a project co-financed by FAO-Rome and UNDP-Tirana, with a total fund for the pilot phase of 640 thousands USD. First phase of this projects was planned to go on for two years but it will continue till the end if this year. This phase will aim at realizing its objectives and preparing the ground for the second phase that will be based on a really ambitious project with a bigger investment and a better-defined strategy.

Two of the main important aspects defined in the project document and attempted to be realized by its staff are studying and demonstration.

Regarding the first phase, within the framework of the project are realized some studies for 10 communes of Albania. In their selection are considered their potentialities and the possibility to include different ecological regions of Albania. At the meantime, two national scale studies are realized (where filiere is included) on two main cereals cultivated in Albania, that's wheat and maize.

These studies are based on field surveys, interviews with the farmers and specialists, opinions of experts who have worked or are still working in these areas, project experts analysis, etc. An important aspect has been the use of Participatory Rural Appraisal approaches when meeting the people in the villages.

In those meetings the results and definitions of the preliminary study are tested. Farmers have independently expressed their opinions about main problems they are dealing with during the production and marketing process of agricultural products.

During field work we cooperate with existing structures in different level of local government, formerly created associations or groups of farmers, but we were more focused on farmers target groups and working with them was really effective.

Summarizing, activities realized by this project till now are as following:

A). Demonstration Areas and Activities

1. Improving irrigation management practices.

1.a. Municipality of Divjaka in Lushnja district

➢ Grouping farmers at parcel level for water management in farms(60 ha)

➢ Repair of the main irrigation canal, 12 portals and 2 water crossings in the demonstration area

➢ Implementation of a demonstration irrigation scheme for drip and sprinkler irrigation in an area of 3 ha planted with potatoes, cabbages and alpha alpha.

1.b. Commune of Synej in Kavaja district

➢ Grouping farmers at parcel level for water management in farms

1.c. Municipality of Maliqi in Korca district

Ø A small project is designed for improving irrigation by using the water of Kolaneci lake.

2. Improving the quality of seeds and seedlings

2.a. Research Institute for Maize and Rice in Shkodra

➢ The project invested 24'000 USD for producing a hybrid maize seed.

2.b Study on maize in Albania

➢ SPFS staff and two local experts conduct a study on maize production and marketing.

2.c Commune of Mollas in Elbasani district

➢ A small project is designed for establishing a nursery for producing antifiloxere grape seedlings. FAO and World Bank approve this small project for implementation.

2.d. Commune of Balldren in Lezha District

➢ A small project is designed for grafting watermelon with wild pumpkin.

3. Improving local marketing

➢ A small project is designed for establishing a local market in Divjaka. FAO will finance this project.

➢ A small project is designed for establishing an integrated milk processing market in Dajç. The World Bank will finance this project.

4. Transfer of agricultural technology

➢ A small project is designed for improving broad bean growth system in Pojan, Korça. FAO will finance this project.

5. Enlarging the SPFS activities in other communes

➢ A study was conducted for evaluating production possibilities and identifying farmer's difficulties in producing their agricultural activities in communes of Balldre, Maliqi, Pojan, Levan.

B). Information Management

➢ A bibliography of agricultural projects in Albania is prepared.

➢ Several meetings and workshops are organized at local level.

➢ Workshops and field days are organized in collaboration with other international projects

➢ Leaflets on different technologies of agricultural products are prepared and disseminated.

For the future, we will aim to realize some of the issues formerly initiated and that are already ongoing. But we will also focus on some important aspects in order to fulfill successfully all this phase.

Summarizing, they will be the following:

A). In Demonstration Areas

1 Improving irrigation management practices

1. a. Municipality of Divjaka in Lushnja district

➢ Implementation of demonstration irrigation schemes for drip irrigation in an area of 1 ha planted with watermelon.

1.b. Municipality of Maliqi in Korca district

➢ Implementation of the small project for improving irrigation by using the water of Kolaneci lake.

2. Improving the quality of seeds and seedlings

2.a. Research Institute for Maize and Rice in Shkodra

➢ The project for producing the hybrid maize seed will continue

2.b Study on wheat in Albania

➢ SPFS staff and two local experts conduct a study on wheat production and marketing.

3. Improving local marketing

➢ The fund of 20'750 USD will be invested for establishing a local market in Divjaka.

4 Transfer of agricultural technologies

➢ The fund of 4'000 USD will be invested for improving broad bean growth system in Pojan, Korça.

5. Regional studies

➢ Social and economic studies will be conducted on problems and difficulties on producing agricultural products in the regions of Tirana, Durrësi, Kavaja, Fieri, Lushnja.

B). Information Management

➢ Several meetings and workshops will be organized at local level.

➢ Workshops and field days will be organized in collaboration with other international projects

➢ Leaflets on different technologies of agricultural products will be prepared and disseminated.

➢ A national scale workshop on food supply issues will be organized.

In conclusion, without repeating all the problems and difficulties the farmers deals with, we can say that there are some important aspects of prior importance for the development of the agriculture, and not only that, in Albania. So, the work for land consolidation (actually too much fragmented and a development limiting factor if not solved as soon as possible) will create the possibility for introducing mechanization and implementing new technologies, long term investments, etc

Small basic capital of these farms limits their capacity for investments and production growth. A political commitment is necessary for solving agriculture structural problems. There are only limited events of farmers buying or hiring others land. Meanwhile, it is necessary this kind of actions to be widely spread and include farm restructuring in more favorable conditions.

Added values generated by selling products in the market have to be invested in improved technologies for increasing productivity. So, the farmers will diminish the area planted for household needs and enlarge the area planted with crops generating more incomes. Average farm size of 1 ha is to small for providing enough incomes for the farmer and its family

Establishment and functioning of the National Council for Food Supply is another important aspect for the future. This council will coordinate activities in national level, cooperate with government and parliament for the issues concerned, orient investors and donors for their investments and assist farmers through their representatives (rural NGO-s) in solving their problems, what makes it functional and necessary.

Respect of Ownership Rights according to the Constitution and Human Rights Convention-Prerequisite for Political normality and Economical Development

By:

Prof. As. Gezim BOCARI *

1. Introduction

Opinions presented in this material are shared by the Albanian Environmental Associations' Forum, National Association of Ex-owners "Ownership and Justice" and National Cultural Association "Bregdeti", whose activity aim at restitution of property, unfairly taken from the former dictatorship state to legitimate owners. This is an important prerequisite to democracy.

Expressing our gratitude to the organizers of this meeting, we would like to emphasize that the objective of this presentation is to expose this selected academic audience to the issue of ownership right and property restitution which on our opinion is constrained by political commitments. We are convinced that former owners persecuted during 45 years socialist period are still discriminated in the 10 years transition period.

2. Property Restitution: Albania compared to other ex socialist countries

We already went through a difficult 10-year transition period and it is time to reflect on political parties and politicians that played an important role in this time of successes and failures. We think it is time to fundamentally review the ownership issue and ask respective institutions to correct up to now mistakes.

Formerly, ex-president Ramiz Alia declares, "Albania is neither East nor West", and later on, ex-president Berisha says, "Albania is a special case". Both these declarations of to former presidents of Albania can have several interpretations. Interpretation of our associations for these declarations is that they want to justify what is happening to ownership relations in Albania. But, also other political leaders (Berisha, Mejdani, Nano) have not considered the ownership issue and restitution of properties to their legitimate owners and are still following the wrong approach for this issue, denying any kind of negotiation and discussion with the ex-owners association for a fair solution to this issue.

Looking at the following table, our comment to this issue is that Albania provided a special solution to the fundamental problem of ownership. This solution has no precedents in any other socialist country. A study of the Catholic University of Leuven, conducted by Johan M. Swinnnen, shows that the only country distributing the land per capitta is Albania.

We do not believe any of actual politicians has not already mentioned this particularity of Albania. They know also the reasons for this.

Table 1: Land restitution practices in some Eastern European Countries

Country	Privatization approach
Albania	Distribution per capita
Bulgaria	Restitution to ex-owners
Czech Republic	Restitution to ex-owners
Hungary	Restitution to ex-owners, ex-farm workers, securities
Latvia	Restitution to ex-owners
Lithuania	Restitution to ex-owners
Poland	Restitution to ex-owners
Rumania	Restitution to ex-owners, ex-farm workers
Slovakia	Restitution to ex-owners

3. Citizen perception of ownership

After 50 years of a society based on other values, our politicians act as the property was forgotten or it belongs to them and they have the right to gift it to others. But, will this policy have any result? We think they are wrong and ex-president Berisha confirms this by saying, "We did some mistakes related to ownership issue". As much time goes by, much more people even those with a communist background are convinced that the **democratic society we are establishing must be based on fair ownership.** As much times goes by, it is more clear to everybody the necessity to restitute property to its legitimate owner. We do believe property is homeland, history, tradition, culture, and our common interests, our parents' voice. We believe the defense of demand for property restitution basically is defense of our rights since property is efforts, work, homeland, and our past and will be the future of everybody.

The opposite is also true. Therefore, we believe the delay on property restitution to legitimate owners works against Albania stability acting against fundame4ntal laws accepted worldwide and against the prosperity of Albanian society, which is going through anarchy and pseudo-democracy based on Katovice directions.

Those attending carefully the recent press releases have noticed that the Association "Çamëria" asked the state structures to abandon the Albanian citizenship. This is a wise action of this association. But, this action must remind two things to Albanian politicians - first, **they have shouted in vain for "Çame" population and blaming Greeks while they are responsible for a part of their own population having the same problems**. Second, **it is never too late to correct mistakes and give to everybody its own part. Could it be done differently?**

We are not going for long on this issue because it has been discussed a lot. What has to be said again is that half of the Albania territory is covered by forests and a quarter by arable land. Also, during socialist era some 300'000 ha of land were transformed into arable land, what was not registered like this in 1945.

This shows clearly those who deviate the right line and ordered compilation of laws related to land distribution and ownership ***had an easy way since the beginning to divide what was state and private property and to act then consequently*** by restituting property to legitimate owners and that small part of families (not more then 14 %) having no land will take part of the state owned land. If this would have been the case, the government will have *respected private ownership right*, instead the issue was politicized and the ownership anarchy was created.

Of course, Albanian population was increased in 50 years, especially in rural areas. But, restitution of land to legitimate owners having a real property title would have satisfied almost 1 million people, descendants of 1945 owners. The rest of arable land was enough to satisfy the needs of 14 % of the families having no property or not enough living resources.

Somebody may ask what is the need for this kind of logic now? It is important to argue that those who found that solution cannot say today they did it because of social problems. This means they did it for other reasons and here there is room to reflect.

4. Politicians mentality and implications

Somebody can say they did the best they know- maybe it is right. If this was the case, it is the half of the problem because things can change, mentality can change and in ten years of dynamic changes even some concept is changed.

Does the willingness to change exist? Those leading democratic changes at the beginning of nineties know there was need to principally split with the past. Therefore, return to private property and denial of all transformation realized during socialist era, as an alternative set forward by failures of a system left behind.

But, this was not the case, since state authorities continue to follow the same way passing the fault to former dictatorship! This reminds us the advice of comrade Ramiz Alia at the Political Bureau before his withdraw. This explains why **transition was and continues to be a gold egg hen for politicians.** A lot of people will ask -do you have facts? YES. Let's see who gets the state owned properties, ex boogs and moors, forest and pastures. It is too much, 50 % of arable land and 95 % of forests. In coastal touristic areas there is a lot of work for the anti-corruption commissions and the prosecutor office in order to bring democracy to efficiency.

Implications of this attitude are enormous.

➢ First consequence is the low investment rate in Albania. Although is difficult to make an accurate assessment for this issue, data show Albania has a direct foreign investment rate of 30 USD per capita compared to about 700 USD in Hungary, 300 USD in Slovenia and 300 USD in Estonia. This shows we are different form the rest of the world since no one is going to invest seriously in a country where there are 2-3 owners for the same land, two different attitudes and no morality. Official invitations for private investments, no matter how sincere they are, become insignificant since no serious investor will invest where there are no laws for long term investments meaning a sustainable ownership respecting Article 1 of the Protocol 1 of the International Convention on Human Rights, which implementation do not depend on the political will as they are at the foundation of each European country.

➢ Uncertainty about ownership provided by state will continue, as long as there will be problems with original owners. The "New York Times" newspaper, at the political upraise time in 1997, mentioned in one of its articles that those protecting the Coca-Cola factory territory were the legitimate owners.

➢ Albania today is distinguished as the country with highest corruption level-resulting form the power set on the politicians' hand by absurd and conflicted laws. According to an article at the "Koha Jone" newspaper of October 1999, only at the Tirana court there was more then 20'000 processes for ownership conflicts and on 11'237 of them the sued part was the Commission for Property restitution and Compensation. According to a study, about 50 % of the court issues in Albania are related to ownership problems what reflects the injustices against legitimate owners. Every two days in Albania there is a premeditate murder which at great part are influenced by ownership problems. Another voice on the injustices caused to legitimate owners is set by judges' sentences on land restitution.

Agriculture and Albania as well is being destroyed. Quoting what the owners of Qestorat village in Gjirokastra district say in a public letter to the ambassadors of USA, UK and EU, published on "Koha Jone" newspaper:

"Several requests and petitions are written on newspapers regarding human right, inherited property and constitution respect but they are worthless since politicians have no interests and are deaf to our right requests. Socialist and Democratic parties that lead the ownership issue to the wrong way are now fighting for their own interests and not for the people. After, 1997, "vllah" families are migrating to Greece and passing their land patents, gained unfairly, to each other. Therefore, actually a "vllah" family owns the land of five to ten other families. The Land law gave Our inherited land to newcomers. "Vllah" families get unfairly our best lands and that is why they are hiding their land patents. But, **we do not need their land patents, since we have our own ones**. Government cannot give to others what belongs to us. Government, which is also an owner lets divide or sell its own property consisting on 52 % of the land for families with no land. What happened in the South of Albania **is not an agricultural reform but a destruction that will continue endlessly. Therefore, it must be stopped as soon as possible as well as the irregular mortgage registrations.** "Vllah" families, arrived in Lunxheria region two years before 1990, got form the Meksi government the same land quantity as we get, and at places they liked since they had the full support of Human Right Party and commission constituted mainly by them.

Please, verify these facts and see with your own eyes what has been done in Lunxheria region where trees are cut and every thing is being destroyed. Politicians want the ownership issue not resolved. More over, the agriculture minister who says "peasants must protect their land by themselves" is still showing itself in television as minister. It is us who must take measures for protecting our legitimate property not those who become owners unfairly by denying our rights.

We have not a bad opinion on "vllah" families and we are not against them. They are people having the same rights we have and this is how we treat them. The bad thing in this case is the law and those who made it and continue to protect it by giving our land to other people. ***How can it happen that we have to pray to "vllah" families to permit our cattle to graze in lands they claim theirs while they have been our since long time? Now and in the future we are like enemies to each other.*** *The fault is neither ours nor vllah. We vote for the constitution since TV and "Zeri i Popullit" newspaper promised the property will go to the legitimate owner. But, it is still on paper and nothing is done concretely. "Lunxhëria", once beautiful and bìnice place is loosing its fashion. Regarding we have written in this letter, please verify and you will be convinced our claim is rightful."*

We, also, do not have a bad opinion on vllah people as well as on any other minority, but we do not want the hate of class struggle to continue as hate against owners. We must not forget the Civil Code of 1982, designed based on the communist ideology stated in the Constitution of 1976, on articles 70 and further regarding the property called "state owned" said "legal persons established by state itself has the right to administer this property but not the right to posses it". After 1991, the stolen property was altered according to clan interests. Where we were and where we are going to? In this case we must mention the Kingdom era law that defines *"it is forbidden to sell lands at the border or seaside to foreigners"* and the Civil Code of 1029 sanctioning *"nobody can be forced to leave its property or let others use it instead, besides cases of public interest legally certified and in any case against prepaid reasonable compensation"*. This definition fits completely with the Article 1 of Protocol 1 of the International Convention on Human Rights as well as with Article 41 of the Albanian Constitution that state itself do not respect.

➢ We have to mention some facts about agriculture. During transition period about 70 % of fruit trees are "disappeared" including olive trees. Almost 2'200'000 olive trees are completely destroyed out of 5'800'000 existing in 1990. How can the agriculture Minister, prefectures and prosecutors justify this? They can act against this **massacre often done aiming at ownership altering** but the do nothing. Newspaper publications regarding areas on "Uje i Ftohte" in Vlora district, and over all the costal area evidence the abuses done by politicians at local government, Ministry of Agriculture, Real Estate Registration Offices that ordered the distribution of costal areas to ex state farm workers based on a common agreement of some VIP politicians. They justify their action with the Presidential Decree No. 1431, date 27.03.1996, which have never been approved by the parliament, therefore have no legal power. It still remains a scandal even if the decree is approved since its content is transformed and abused with. Although, the denunciations of the "Uji i Ftohte" owners, nothing is done by competent authorities.

These arbitrary actions aiming at private ownership alteration are seen everywhere along the coastal areas and obstacle tourism development. This situation can be solved only if everything goes to its proper owner without denying the state obligation for protecting owner's rights.

5. Sate of different standards

Albanian state discriminates its own citizens while using two different standards. I do not believe any legal expert can convince us that some kinds of owners are different from the others. Meanwhile, it must not be denied that the post dictatorship legal framework returned to some owners, part of their properties, even if through some difficulties. It is a real fact that in cities some properties wee returned back to their owners, but always not more then 1 ha. Also, forest and pasture areas were restituted (they cover only 5 % of the Albania forest fund) but the restitution was abolished in areas of tourism development priority.

At the other hand, Albanian government, in 1996 assigned an agreement with the USA recognizing the right of Albanian-American people to have their properties back as well as the rent in USD since November 29, 1944, for the 45 years of dictatorship. Recently, religion institutions had their properties back. Associations, we are presenting here, greet these decisions since they aim at establishing the denied ownership right. But, on the other hand it is verified that the state has two different standards and assumes two different attitudes that have a negative influence on the whole economy as well as costs to people. Therefore, our question is: ***What about others or the majority of ex-owners,*** why this double attitude and where does it lead to? What are the constrains for restituting free areas as well as any other kind of property that is still arbitrary called "state property" to ex-owners in order to stop further alteration of properties state has privatized arbitrary in favor of third parties. Aristotle, 2300 years ago said ***"political inequality brings always political instability".***

Albanian officials are the only one in Europe applying the principle - **We distribute, alter and privatized your property and you will be compensated by the government!** This is etatism that only changes dictatorship to robbery since ten years later the owners get no property nor compensation while politicians, state officials and their clan get both properties and extra compensation.

It is true, some officials justify their actions pretending the realization of an Agriculture Reform. But, Agriculture reform is applied in countries where there are big disproportions on land property what is not the Albania case. Intentionally, the natural decrease of rural population is not considered as well as the fact that agriculture reform reflects social tension that do not exist in Albanian even when 90 % of the population lived in rural areas. These officials do not analyze the legal basis and principles to be applied in an agriculture reform in democratic countries as well as beneficiary abasements of politicians with the settlement limits of cities and towns. Just to mention that in 1946, there were only 7 big landowners' families that owned only 3.7 % of the land (14'454 ha of 393'347 ha of arable land). At the other hand, small and medium farmers owned 74 % of the land. This picture cannot justify the distribution of land per capita as well as reflective attitude against a wrong legal framework that keeps the country on a permanent crisis and anarchy.

Another argument used by some politicians is that the majority of population likes the law No. 7501 and if 70 % of people like it then it are a democratic law. Our opinion is that there is no democracy and public order in a state that do not respect fundamental human rights as the ownership rights; do not restitute properties to their legitimate owners and not protect the private ownership by low; do not satisfy minority wills reconsidering the number of "satisfied" people.

There is another fact we must reflect to. In districts where properties are restituted to their legitimate owners there are no social problems as politicians say. It is known that in great part of Northern region, which is the poorest one even if no official data exist, arable land and properties in general are distributed completely according former ownership patterns (Kopliku fields, Malsia e Madhe, Kukesi, Hasi, Puka, Dibra, Tropoja, Mirdita, Mati, Mokra region in Pogradeci, mountainous areas of Tirana, etc) independent by the fact that on official reports is written "land is distributed according to the law".

Of course, there are people who want the implementation of the law No. 7501. But, the majority of population considers **more the tradition of respecting ownership rights then rubbing the properties.** Therefore, considering some politicians interests, political institution does not reflect moral consensus and common interest as indispensable basis for a democratic society.

After 1990, there was an understanding that democracy means free movement and the principles of "earning money independent by the ways you do it" or "jungle law" was implemented in practice. This wrong mentality influences the whole Albanian society. The most damages were made on the costal touristic areas, which were occupied by illegal buildings. We must emphasize that if local or central government does not want to think on the right way using the argument that "troubles will come if properties are restituted to ex-owners". It is obvious they like actual troublesome situation.

6. Constitution and legitimate owners.

By laws designed after 1991, ex-owners, as the original owners were called in the post communist era, get something back of their properties. Constitution, actually in force, define how ownership is gained and altereted by saying: *"ownership is gained by gifts, heritage, purchase or any other classical way foreseen on the Civil Code"*. Therefore, ownership is not gained by force as a lot of individuals did these last ten years using politics as well. State has no justification when ***hesitating to design laws according to the Constitution and continue to apply laws that conflicts with it. This is kidnapping democracy and economical development constrain.*** State do not apply Constitution if by artificial legal interventions use other property without any property title.

There is only one reasonable explanation to this abasements and corruption. It seems we are going through the same process as Taylor describe for the Philippines where *"politics is the main way to power and this is the only way to get rich. ...Main politics goal is not to fulfill national wide interests but achievement of individual interests"*. Is there any real possibility or any precedent for correcting mistakes on the ownership issue?

The answer is yes. FYROM, a neighboring country, in the beginning dealt the ownership issue the same way we did by not restituting properties to legitimate owners. But, in April 22, 1998 Macedonian parliament did what is described below by a commentary of BBC radio.

> *" Macedonian parliament approved the privatization law. The law was urgently designed under the pressure of IMF and World Bank. ...According to this law, real estates, arable lands, forests and pastures confiscated since 1945 will be restituted to their legitimate owners. ... " Considering gaps and ideological influences the law was described by the association as "one of the most scandalistic laws approved by the Macedonian parliament that adds insult to other negative impacts of 50 years ago. "*
>
> *Information by B.B.C., April 23, 1998.*

Our comment. On May 2000, after restituting properties to legitimate owners, Macedonia was associated in Europe.

It is true that Serbian and Macedonian attitude against Albanians is similar but there is no case of a kosovar or Macedonia Albanian who is treated as their brothers in Albania.

We think that economical logic and business development needs must consider as soon as possible the requirement for **RESTITUTION OF PROPERTY TO ITS OWNER.** It is obvious that common intellectual attitude leads the country forward. Regarding ownership issue they always claim to the politicians and institutions but there is no answer from them related to the ownership right protection according the "Conventions" and the Article 41/2 of the Constitution as well approaches for mitigating damages caused to ex-owners during 1991-2001 period.

Those who became owners getting others' properties using the 1991 laws want to keep this situation unchanged and to compensate the ex-owners. Our associations require the compensation of legitimate owners only in cases where its property is used for public interests as well as restitution of the other part of properties. Compensation is necessary for those who became owners using the absurd laws of post dictatorship era.

The political upraise in 1997 was not a system change. We want to go in Europe, but not as emigrants. We do believe, that this country and these people will become part of the European family only ***following the principles of a society based on private*** **ownership.** Property in neither right or left wing and property restitution consolidate the democracy fundamentals. Ownership laws cannot be different for the Northern and Southern part of Albania, for urban and rural areas since borders are administrative means and not documents defining the property. Unfortunately, there is an Albanian clan that considers itself able to abuse with others properties. Let us reflect a little bit on wise advices of ex prime minister of Greece to the Macedonian President that the way toward Europe goes by respect of human rights and freedom. We will just add to this advice the fact that the ownership right is number one, without it all the other value are lost as the language, education or self-decision rights.

7. The wotld that wants our best.

The world is helping us, but results will be scarce while the help and relationships will no be conditioned by Human Rights Card respect.. IMF and World Bank should not consider restitution of private ownership in Albania as political problem regarding to Albanian government, since they avoid the solution. Ownership respecting is a human rights problem, that is stopped by policy and is blocking economy and progress. International institutes should not permit Albanian people discrimination, but should act with Albanian government as they did with the Macedonian government. Although the will to help Albania or the found accorded by international institutions, they will serve for building roads and highways but will not achieve the results or the programmed or pretended stability to help the Albanian people, to consolidate the democracy, to fight the corruption, to develop the economy in entirety, as IMF spokesmen etc. pretend . The opposite has happened and will happen because, without solving rightfully the private ownership problem, democracy will seem as a wall settled on distorted fundamentals, and this wall will fall from time to time. This so-called democracy interests only to them profiting unrightfully from the founds accorded for Albanian people interest and not its ruin. With actual ownership legislation, Albanians are strolling in a chaotic economy framework with elements of market economy and ownership rights violation, seriously stopping political and economic stability. On these conditions, especially the youth, the vital part will prefer to leave and the consequences are obvious... Albania will become an old peoples country led by chairmen telling just "as you order". Later Albania risks to become a geographical name where history will show that here lived an ancient people of plenty traditions...that political experiments through ownership right negation CUTTED THE ROOTS, generated conflicts and lots if injustices and obliged it to emigrate all around the world. To prevent this phenomenon, our associations are engaged to an awareness process of national and international opinion for the solution of ownership problem in favor of original owners and we invite the entire democratic opinion to support us.

Our public attitude are made known to the Albanian Government and Parliament, Diplomatic Corps accredited in Albania, different countries governments including EU and USA, USA Senate and Congress, European Parliament, World Bank, IMF and all international organizations. It is clear to everybody that actual property legislation, including also agricultural land, comes in conflict to the human rights and liberties, with Article 1 of Protocol 1 of Human Basic Rights and Liberties Convent; with European Parliament B-4 1393/95, of December 14, 1995; with the articles 4, 15, 17, 41/2, 122/2 and 181 of the actual Constitution.

We believe to contribute so in favor of real democracy, political and economic security of Albanians– which had plenty of sufferance and troubles during last century.

We have the conviction that everybody knows already that we are a serious and first of all a decided partner. The activity of Ownership with Justice association is contradicted with all means by the state. This is the reason why the state is accused by it in the Strasbourg Court, for disrespect to Article 1 of Protocol 1 of Human Rights Convent, which protects private ownership rights. The admission process to EU must become a point of reflection on a different attitude towards Albanian governments philosophy. On negotiates with European Union, the last one made known to the government 30 points where associating activity should be focused, and land ownership is not let apart.

The message is clear to those who want to see and hear. Even inside the country there are realistic reactions on this attitude. The first Congress of KASH in the Resolute approved in 10 May of this year said that problems related to the land are problems that restrain agriculture and entire economy development.

We believe to have argumented why Albania is different from most of democratic countries of Europe and World, where we want to go to. We think to have contributed anyway, showing our attitude toward property issue, opening the discussion on the indispensably of its solution in accordance to international norms and actual Constitution.

Social-economic profile Of family farms In albania

By:

As.Prof. Bahri MUSABELLIU

Dr. Maksim MEÇO

Agricultural University of Tirana

1. INTRODUCTION

Albanian economic transition was associated by implementation of considerably structural and institutional reforms requested to establish a solid market economy. Though achieved progress, especially the macroeconomic and financial stability, Albania has one of the lowest levels of incomes per capita in Europe. There is a big differentiation of incomes distribution between rural and urban areas.

Economic reform implementation in agriculture, with all the elements characterizing it, caused the organization of new productive structures and concretely the **family farms.**

Investigations on entire country show that farms in Albania are characterized of some specific elements and their study, as well as the solution of problems related to them deserve a special attention. Some of the main elements characterizing agricultural farms in Albania are: the high number and their overpopulation, limited arrangement of productive capacities (land, machinery etc.); heighten fragmentation of land, low level of production amplification, hard financial support of inputs guarantee, high norms of credit interest offered by banks or non-crediting of agriculture.

The information of this report is based on the conclusions of a study performed in four prefectures of the country (Shkoder, Tirana, Korçe, and Fier) related to social and economic problems faced actually by agriculture development.

The main objective was to contribute as more as possible to the World Bank activities related to agricultural services, markets (of land and seeds) and production and conception of a strategy on entire country development.

2. General assessment of productive capacities of agricultural farms

Study data show that average size of farms in studied area is 1.4 ha, and variation according to prefectures goes from 0.7 ha for Tirana's Prefecture till 1.6 ha for Fieri's Prefecture. This disproportion is conditioned by relieve composing, land surface, peasant population number, etc.

The number of small parcels managed by farmers varies from 1 up to 9[1] parcels, on an average of 4.2 parcels per farm. As obvious, Albanian farmer is working on small plots of land, with a size from 0.02 ha to 4 ha[2]

Regarding other productive capacities (capita number), study data show that there are not sharp disproportions, conditioned mainly by the fact that the last ten years dominated the general tendency to increase the capita number, without taking into consideration ruin of livestock during 1996-1997 as result of pyramidal schemes presence

Based on study data, not only from prefectures, districts and communes but also even from information gathered from interviews in focus group and experts, as conclusion, study area is characterized of:

- Presence of an agricultural farm of minimum size and divided into plots.
- Farm is compiled of a huge number of small parcels.
- Presence of a relatively huge family obliged to work on this micro-farm.
- Presence of a positive tendency on animal number increase as well as arbori culture farm development.
- Deficiency of mechanical means.

In these conditions, it is indispensable to concept **right policies on farm consolidation** in Albania. Achievement of this objective would include:

➢ **Establishment of Department of land consolidation beside Ministry of Agriculture and Food,** which function is acknowledgement of fragmentation situation and proposal of solutions regarding prospective consolidation of agricultural land.

➢ **Establishment of national agency of land purchase,** with branches in every district, that would control and manage land purchase in function of the realization of agricultural structural policies and implementation of law requests. This agency could take the bank role in financing land purchase.

3. Farms activity, advantages and production re-strains

Previous aspects, which characterize almost all rural areas in Albania, show directly their influence on farm productive structures planning and implementation. Faced with the abovementioned problems, Albanian farmers consider as rational the adoption of complex productive structures, which include **a huge number of plants and animals,** as observable on the data of tables correlated to this report.

The number of plants cultivated in a farm is huge, including almost all kinds of plants. Dominative systems on farm production structures are: Ce*reals –Vegetables, Livestock, Forages, Others; Cereals-Vegetables-Livestock; Vegetables-Livestock-Forages; Fruit Trees/Olives-Vineyards; Cereals-Livestock, Etc; Vegetables (Greenhouses); Vegetables-Potatoes; Livestock-Forages, Fruit Trees/Olives; Vegetables-Vineyards.* It happens because farm productive structures priority is not the market demand generally, but supply of family food needs. Analyzing farms' productive structures included in the study area, conclusions are:

➢ Productive structures of farms are characterized of development of plant life systems compiled of annual and multi annual plants and livestock systems that include all kinds of animals. Plant life systems include mainly plants such as: wheat, corn, alpha-alpha, vegetables, bean, potatoes, and arbori culture. Livestock systems are dominated of cows and chickens.

➢ On the study area, farmers have found more rational to divide the surface by this rapports: wheat 40%, corn 19%, forage 22% and other plants 19%. Albanian peasant conception of productive structures is based on two main objectives related to: **supply of family food needs and minimization of economic risk.**

- Productive systems of family farms are conditioned by some factors among which: **Tradition, Demand, Incomes, Resources, etc.**

In front of these conditions, integration level of family farms to the agro-business system is very low either in products' sale or providing inputs indispensable to the production. Different elements of agro-business pretending to assume the functions of furnishing the farm inputs or gathering of agricultural and livestock products are often non-turnover to farmers.

What is the way to increase family farm productivity in general in order to allow increasing of market product? There are different strategies on the achievement of this objective, among which:

- Increasing of productive capacity levels of every farm toward optimal limits and
- Increasing of working forces usage efficiency at the same time and through its decreasing.

Both strategies are acceptable but use of one or the other is conditioned of specific circumstances and mainly the factors previously treated. So, industrial development of the country would set as primary the second strategy, creating premises of establishment of *part-time* farms. This comes because land presents a long-term insurance to industry worker, immigrant or small merchant, if he loses his job in the future.

4. A social-economic profile of farms in the studied area

Referring to the previous elements related to farm productive capacities and production structures, study data and other information resources as well, show that farmers' productive activity may be classified in three groups:

First group:

- Do not completely supply most vital family food needs
- Their productive system is not reproducible
- Scarce real and potential possibilities to increase and make efficient

their productive capacities

- Dominating productive system, cereals – livestock - forages – others.
- Almost inexistent relation to the market
- Representatives of this group are deep areas

This group represents about 21% of entire area farmers.

<u>Second group</u>:

- Supply family food needs
- Part of the group has capacities to accumulate and invest
- Product diversification does not correspond to market demands
- Dominating productive systems: cereals-vegetables-livestock, vegetables-livestock-forages, fruit trees/olives-cereals-livestock etc.
- Partial relations to the market and limited partnership among them
- Part of this group tends towards commercialization process of productive activity.

This group represents about 64% of entire area farmers.

<u>Third group</u>:

- Production goes mainly to the market
- More possibilities of investments
- Satisfying reproducing level
- Dominating productive systems: vegetables (greenhouses); vegetables-potatoes; livestock-forages, fruit trees/olives; vineyards; cereals-livestock etc.
- Tendency leads towards production amplification
- Product diversification corresponds to market demands
- Market partnership is relatively fine
- More possibilities to face the risk
- Tendency toward productive activity commercialization process

This group represents about 15% of entire area farmers.

Evaluating all the abovementioned profiles it comes as result to some social-economic considerations characterizing them. Among others:

- **First group** includes a part of farmers, whose main destination of their activity is self-consumption. **Existence and activity of this group is threatened and forms the basis of migration and immigration of rural**

population. Study data show that **young people have no employment alternatives in this family farms group.**

➢ **Second group** includes farmers working for self-consumption but selling extra product. This group **tends toward specialization and commercialization of productive activity.**

➢ **Third group** includes a small part of farmers, whose main activity destination is mainly for sale. This group **has made steps towards specialization and commercialization of productive activity, represents a satisfying production diversification level according to market demands** and the highest level of engagement of young people, mainly in greenhouses industry, arbori culture and livestock development.

Agriculture development through free market, presumes farms increasing and strengthening in accordance to previous groups, aiming passage from a lower group to a higher.

In front of this situation it is necessary, in a macro-economic level, to elaborate and implement economic policies able to stimulate agriculture development. They must aim toward a strong support of family farms systems:

➢ That encourages **more optimal alternatives of productive capacities usage** (land, machinery, animals etc.).

➢ That **stimulates new productive activities development**, where **added value** of agricultural products is higher and young people tend working there.

➢ That supports adequate schemes of input and agricultural product offers uses through marketing systems development and improvement, etc.

5. Summary

Family farms in Albania are characterized by characteristics such as: limited access to production capacities, considerable land fragmentation, overcrowded rural families, financial constraints regarding input provision, lack of public institutional framework, insufficient credits for agriculture, high interest rates for agricultural credits, inadequate collateral, lack of information and infrastructure, etc.

Disproportion regarding levels of farm production capacities, large number of farms, prevalence of minimal-size farms and labor intensive methods, presence of production limiting and non-limiting resources, lack of land market, etc., are some of basic factors that associate progress of agriculture in Albania during the transition.

Farm production patterns include almost all crops and animals, and to a large extent this is due to the fact that farms are not market oriented, but produce mostly for family farms self consumption. Albanian farmers' rationale behind conceptualization of production structures is based on two principal objectives: food security for the household and minimization of economic risk.

Production structures are designed on the grounds of farmers' analysis of its activity environment, i.e. production capacities constraints, overcrowded farm families, presence of a non-consolidated and advantageous supporting system, etc.

In Albania family farms can be characterized as subsistence farms. Production intended for market doesn't represent an authentic objective, but it is a derivative from the attainment of the two-aforementioned objectives rather.

Level of integration of family farms into the agribusiness system is still inadequate regarding either the sale of products or inputs procurement. Overcoming of this situation requires both the increase of farms production capacities up to the optimal levels and the productive use of working forces parallel to and through its decrease.

According to the survey, in Albania family farms activity can be classified into three groups: First group includes a part of the farmers in the surveyed area whose main objective of their activity is self-consumption. Second group includes the farmers who produce for self-consumption, but sell product surpluses as well. Third group includes the farmers whose main objective of their activity is sales.

Consequently, there should be designed and implemented macro-economic policies aimed at giving additional impulses to the development of agriculture. They also should be aimed at giving a greater support to family farms in terms of agricultural mechanics, subsidies for agricultural inputs, reduction of interest rates for agricultural credits, revitalization and efficient use of intellectual potentials in agriculture that remain idle yet.

6. Literature

1. **Methods of Farm Management Investigations for improving farm productivity** (FAO Agricultural Development Paper No 80. Rome 1965)

2. **Farm Management Research For Small Farmer Development.** (FAO Farm Systems Management Series, No.6, 1993.

3. **Farm Management Data Collection and Analysis.** FAO Agricultural services Bulletin No.34, Food and Agriculture Organization of the United Nations, Rome.

4. Agricultural services project Albania (social assessment), World Bank,

Table 1. Synthetic data on farms size and fragmentation level.

Nr	EMERTIMI	M.U	Area	Tirane	Korce	Fier	Shkoder
1	Agricultural land Surface[1]	Ha	**195 633**	33031	47538	91243	23821
2	Farms number[2]	Nr	**200 054**	35 148	48442	68384	48080
3	Farm average size (1:2)	dyn.	**9.7**	9.4	9.8	13.3	5
4	Parcels total number[3]	"	**4255**	626	1306	1475	848
5	Parcels average number per farm (including the garden)	"	**4.2**	3,3	5.1	4.8	3.4
6	Parcels average size 3:4)	dyn	2.3	2.9	1.9	2.8	1.5

[1] Group of Authors. Study on land fragmentation in Albania. March, 1995
[2] Also there
[3] INSTAT. General census of agricultural holdings. 1-30 June 1998
[4] INSTAT. General census of agricultural holdings. 1-30 June 1998
[5] Data of our questionnaire.

Table 2. Data on farm productive capacity level

No	Description	Measurement Unit	Regions Average	Prefectures: Tirana	Shkoder	Korçe	Fier
1	Farm average size	Ha	1.4	0.7	0.9	1.4	1.6
3	Land size per capita	Dyn/ca.	0.22	0.14	0.18	0.29	0.32
3	Family members number	Nr	6	5	5	6	5
	Capita number (averagely per farm)						
1	Cows	Capita	1.4	1.4	1.3	1.4	1.3
2	Sheep	Capita	4.2	4.3	3	3.4	4.4
3	Goat	Capita	1.6	1.5	2	2.6	0.5

Table 3. Data on farm structure

No	Farms	Measurement Unit	Regions Average	Prefectures: Tirana	Shkoder	Korçe	Fier
1	Wheat farms	%	67	73	16	79	94
2	Corn farms	%	65	68	53	72	57
3	Beans farms	%	63	77	37	56	76
4	Potatoes farms	%	41	59	26	42	24
5	Alpha-alpha farms	%	75	77	63	70	86
6	Other forages farms	%	20	20	2	15	44
7	Vegetable farms	%	75	87	82	34	92
8	Other cultures farms	%	19	11	16	36	12
9	Cows farms	%	84	90	79	79	86
10	Sheep farms	%	31	39	26	30	30
11	Goat farms	%	17	17	26	23	1
12	Poultry farms	%	80	92	65	77	84

Table 4; Data on farm production structure

No	Description	Measurement Unit	Regions Average	Prefectures			
				Tirana	Shkoder	Korçe	Fier
1	Wheat	%	40	40.3	38	42	39
2	Corn	%	19	16	29.2	17	10
3	Beans	%	5	4.6	4.1	6	3
4	Potatoes	%	2	2.3	3.2	1	1
5	Alpha-Alpha	%	20	36	7	10	36
6	Other forages	%	2	0.2	3	4	3
7	Vegetables	%	4	0.4	3.6	4	7
8	Others	%	8	1.2	11.1	15	1
	Total	**%**		**100**	**100**	**100**	**100**

Poultry Eggs and Meat Production Industry (Focus on Business Practices)

By:

Sami GJERGJI

President of Aviculture Association

Shkelqim FORTUZI

Finance Director (FLORYHEN Co)

Considering the conditions of our country, agriculture was and still remains a special important sector for the social and economical development. This is related to the high number of population living and working in rural areas and the relatively high weight of agricultural production and favorable climatic and soil conditions in Albania.

After nineties, the poultry sector as well as other sectors of the economy went through a total overturn and existing structure for egg and meat production were ruined. Some of them changed their former destination and were transformed in storehouses; others are just old buildings not efficient yet. This happened to hen houses in Tirana, Vlore, Elbasan, Mat, Tepelene, etc. The worst this phenomenon happened on former agricultural co-operatives where egg and meat production structures, especially those for turkey, were completely destroyed. This phenomenon was result of the wrong policies applied and privatization process delay as well as the implementation of "shock therapy" that damaged the whole country economy.

While saying Albania is the poorest country in Europe, there is no precedent in other countries justifying what happened here, where old structures were completely destroyed, because by destroying something already achieved there is no poverty alleviation but on the contrary worsen the material aspect of poverty. More over, this kind of attitude followed by over emphasis on high population and poverty of rural areas influenced the belief on new job approaches and further development of the agricultural sector.

Must be emphasized that these kind of problems are rarely considered on their real dimension just for not being called "nostalgic" of the old era and this is still influencing and damaging the attitude on rural areas and agriculture and constrain the agricultural production development. As in other sectors, this is a typical Albanian phenomenon not known in other East European Countries and with severe economic consequences.

What we already mention as well as other factors caused in the beginning of this decade the market needs for eggs to be supplied totally by import.

Free initiative of some poultry product expervs and producers whom by their own will and financial resources enabled in 1992 the first steps on establishing poultry farms for egg production. Initially they start in Durresi districts with the FLORYHEN Company, and step by step enlarge the number of farms on actually 20 of them.

Up to know, investments in this sector counts for 25 million USD and more then 5000 people are employed.

This approach, with focused investments, technologies installed and attempts of activity coordination and support by the majority of farmers (recently assisted by government institutions), enable the egg production to supply almost all the domestic market needs. Today, in Albania are produced about 380 million of eggs providing about 130 eggs per capita what is already the direct consume rate.

Regarding the average egg price, actually it is lower then in 1996 while all other products has prices increased on 50-80 %. This shows the actual progress trends and investments effectiveness is clear and based on sustainable factors.

During this 8-10 years period, poultry farmers faced a lot of problems and difficulties that depending on type and size are already passed by several farms. These farms are now stronger and modernized with contemporary technologies and high yield and quality indicators, and have qualified and experienced staff.

So, FLORYHEN Company, actually managing more then 500.000 poultry individuals, considering he investments realized, technologies installed and high scientific management level has achieved indicators making it competitive with other egg production industries in West European countries. All these as well as the management of well-known hen hybrid species as the American HyLine 36, enable having more then 290 eggs/hen/year with a cost that fit the market needs.

On our activity we are always attempting to support this sector development on different areas of the country by providing technologies, technical assistance, food and chicken, medicines, etc. These practices do not cause any damage to our own interest but they provide an impulse for a quick development of this sector. Our opinion is that even other powerful companies in other sectors of the agricultural products can do more using different ways and approaches to support and encourage small or novice businesses.

It must be emphasized that in this way, some poultry farms not able to face unfair competition, present in our businesses, are weakened and left behind in terms of techniques and technologies and some other have already failed.

In order to avoid such artificially caused failures, it is necessary the closer presence of state institutions, especially the financial ones, for providing their support and protection to fair businesses. This requisite is still necessary, especially for the agribusiness considering its importance and backward level it is dealing with.

Actually, better production management is one of the agribusiness problems. This constrains production development rates by losing general interest for a vast and strong future involvement in agribusiness. An aspect of the agricultural sector backwardness is the fact that everywhere in the streets you can see people selling every kind of agricultural and dairy product in very primitive conditions as milk or olive oil in used PET bottles, etc.

Often, incomes generated by selling agriculture and dairy products do not provide normal living conditions for the farmers. These products are generally sold at low prices and short-term periods and do not promote farmers' interest to deal with agricultural and dairy products. So, they are forced to look for other solutions usually being farm abandonment and migration to other cites or urban areas as well as migration in foreign countries.

Sometimes, the awareness raised on low prices of agricultural and dairy products do not always reflect the increased production level for these products but also their devaluation. This is related to the seasonable aspect of the production and depends on its intensification rate as well as on the backwardness of the collecting, conservation and processing industries. There is still some backwardness in this field.

We think we are late on taking necessary measures for improving this situation. Promotion of establishing associations for agricultural and dairy product collectors-processors by initial financial stimulation is one of the measures for improving the situation in this direction.

In order to avoid the phenomenon of “seasonal and overplus production”, usually seen in agribusiness practices as well as in he egg production, it is necessary to find possibilities for exports in certain periods in EU countries, since our company has met all the required indicators. Also, we think that other agribusinesses can export their products since there is a lot of experience in this field.

Albania is the only country in Europe not having quotas for exporting eggs or other products in the EU countries.

An immediate effect will have an agreement between Albanian government and UMNIK (Kosovo) regarding the unification of taxes for Albanian exports in Kosovo at the tax level realized in other countries.

Actually, only egg and sunrays oil production industries consume about 35-40 thousand tons of cereals and 250-300 thousand tons of sunray seeds. All this quantity is supplied by import because the domestic production can not provide it. A better co-operation between egg and oil production industries and farmers will give an important incentive for higher production in cereals, sunrays, Soja and other products.

The achievement of this objective will bring a harmonic development of the agriculture sectors and has not to be left to spontaneity.

We would like to suggest here the work started in this direction by the FLORYHEN Company that in co-operation with farmers of Kavaje, Maminas and Manez is supporting the necessary products for the food industry, will have a good influence in this direction. Also, we think the Agriculture Directories in districts and the MoAF through establishment of pilot farms as well as strong organization measures and financial support of respective national and international institutions and organizations must better administer these initiatives.

In the poultry meat production sector we are just at the first steps and results till now are encouraging. Considering the market needs for this product as well as existing possibilities and experience, there is need for supporting and promoting domestic poultry meat production including chicken, turkeys, ducks and geese.

It will be interesting not only for the producers, but first of all for the customers to review the financial policy especially the fiscal system by decreasing the VAT rate from 20 % to 8-10 % and making it different for agricultural and dairy products. This requirement is related directly to the price level of these necessary articles and such practices are applied in countries all over the world.

It must be emphasized that besides up to know work for the development of poultry production businesses, poultry industry has receive the technical assistance support from several government and scientific institutions. So, we can mention the co-operation with the Veterinary and Zoo-technique Research Institute and Agricultural University of Tirana, especially regarding information exchange on scientific news for different epizootic issues. Also, we received the support of international organizations in Albania as USAID, IFDC, etc.

"The Strategy for Development of Forests"
A Strategy Embodying Contemporary Concepts

By:

Prof. Dr. Mihalaq KOTRO

The Dean of the Forest Sciences Faculty

Kole MALAJ

Director General of Forests and Pastures

1. A Review of Forest Resources

Among other natural resources, forests of our country are praised by many as the most brilliant asset. Today's official statistical data provide the following indicators:

Table 1. Statistical Data on the Forests and Pastures Sector in Albania

Total area		1,02 million ha
Total timber volume		83,45 million m^3
Of which divided in: Timber		52,18 million m^3
Firewood		31,27 million m^3
High forest	471 thousand ha	65,51 million m^3
Coppice	304 thousand ha	10,54 million m^3
Shrubs	255 thousand ha	7,40 million m^3
Broad leaved forest	600 thousand ha	57,15 million m^3
Coniferous forest	175 thousand ha	18,90 million m^3
Harvested forests	902 thousand ha	73,60 million m^3
Annual allowable cut		1,52 million m^3
Annual natural growth		1,36 million m^3
Main species: Beech, oak, pine, poplar, elder, chestnut etc.		

So far, apparently everything looks quite promising for the forest fund and what has been achieved until now. In total, indicators like forest area per capita, biodiversity, etc., although not exiting, they certainly give us some satisfaction. But further on, a closer observation of such figures from the specialist's viewpoint, an analysis of the developments and their comparison with the statistical data from other countries (even neighboring countries), generally reveal policies and practices that are far from the demands for a sustainable and long-term forest management. Stimulated by 'caressing' slogans like "Our Forests are Abundant", such policies and practices have brought about considerable damage to the forest economy

Naturally, this perception of the common property had as final objective the overharvesting for maximal profits. Therefore, limited investments on regeneration of resources and improved harvesting of timber and non-timber forest products as well as forest improvements, reforestation, rehabilitation of roads, introduction of scientific silvicultural techniques, sustainable assessment of timber, plantation of fast-growing species, could not mitigate the negative impacts on forest resources.

Until 1990, forests were subject to such regressive actions and practices like: overharvesting 2-3 times more than the annual growth rate or the production potential of especially oak forests for firewood; massive deforestation (often not well studied) for opening arable land or creating construction sites for demographic and industrial purposes; heavy pruning for fodder and grazing on coppices; uncontrolled exploitation of forests for extracting resin and other products; investments in "drips" on road infrastructure, forest plantations and protection against pests and diseases.

More convincing arguments on the impact of such practices on the forest fund, are the following phenomena and indicators like:

➢ Reduced forest area at national scale with over 225,000 ha, and reduced total timber reserve with about 10 million m^3;

➢ The average growth rate of forests' production potential is 1,34 m^3/ha, meanwhile in countries like Germany, the Netherlands, etc., this indicator is about 4-5 m^3/ha;

➢ Reduced oak stands with about 75,000 ha, meanwhile about 70-80 percent of them are transformed from high forest to coppice that is characterized by a very low productivity;

➢ About 50 percent of forests are characterized by low crown density indicators;

- In many forest stands, the structure of age classes is far from normal, causing discordance in harvesting. Meanwhile, young beech stands or old high pine stands are scarce, there are no high oak forests, etc.
- Limited road network in forest economies with an average density of 3,6 ml/ha. Meanwhile, in many other countries with developed silviculture, this indicator is about 20-45 ml/ha.
- In about 40 forest economies, with about 20 percent of country's forest fund that are mainly over-aged stands, the accessibility is a still a problem due to lack of roads. This impedes not only harvesting of timber but also servicing for a long-term sustainable management.
- Severe erosion, especially around rural areas.
- Low level and in most cases, total lack of mechanization for forest operations, which increases the costs of such operations.
- Gradual reduction of forest flora and fauna, etc.

With the change of the social system and introduction of the market economy after 1990, particular attention was dedicated to the forestry sector followed by changes in the mentality and judgment. As part of this process, several actions were undertaken including the reorganization of the forest service, approval by the parliament of new legislation, establishment of the forest police, enforced technical control of harvesting according to capacity of forest resources, implementation of perspective programs like the transfer of forests and pastures in use to communities, recognition of private ownership on forests and pastures, implementation of a market reform aimed at both domestic and international trade activities, etc.

Even though we thought and hoped t such 'reforms' would resolve everything in a time when the forest community took ambitious objectives with regard to the role that the forest economy would play under new conditions, it should be admitted that forests are still "paying tributes" of the negligence.

In the beginning, a number of illegal activities with catastrophic impacts like abusive harvesting, cutting of high forests for firewood, considerable illegal logging in forests adjacent to rural areas, forest parks or hunting reserves like Lura, Divjaka, Hotove, Velipoje, Milot, Krast, Vain, Cangonj, etc., spread of fires due to careless or intentional actions, etc., "flourished" against a very weak forest police.

Although such activity is reduced substantially over the recent years, their impact has been considerable. An approximate evaluation of damages done on forests and necessary investments for their rehabilitation, without mentioning ecological implications, results in about US$ 20-25 million.

2. The strategy on the future of forests must provide complex actions and a sustainable management of forests and pastures

During the first years of the transition, the forest economy had its own uncertainties. However, based on a critical analysis of the situation and wishing to get the forest economy involved in a new management approach, the need for development of a new strategy emerged. The current strategy with its options and solutions embodies the scientific management of forests and pastures based on the experience of our country as well as on contemporary sylvo-ecological principles and concepts of the most developed countries.

Before 1998, which is the year when the strategy was developed, the forest community had insisted and worked through several efficient actions like transparent reporting on the situation of forest resources, identification of the most urgent needs, increasing the public awareness, informing politicians on the real problems and possible solutions, formulation of applicable recommendations, appeals for cooperation and technical assistance in the field of forests, etc.

After a long intensive work, with the support of the foreign consultancy and input of a wide range of specialists, "The Strategy for Development of Albania's Forests and Pastures Sector" was developed. After the approval by the Government, the strategy was followed by the "Action Plan" that is already under implementation for achieving declared goals and objectives.

The strategy places in the center of its focus the ecological-environmental role of forests, from which three strategic principles emerge:

- Protection and development of forest resources.
- Sustainability of forest production.
- Preservation of the biodiversity of forest flora and fauna.

Under the strategic options and solutions, selection of optimal approaches for achieving objectives is based on:

- Exploiting the regeneration potential and ability of the private sector.

- Importance of avoiding further fragmentation of the forest fund that obstructs its management and recognition of private ownership on forests.
- Creation of favorable conditions for private initiatives that are related to investments in forests.
- The need for inter-institutional approaches in analyzing problems.
- Taking into consideration of conventions and cooperation with international institutions as well as participation in projects of mutual interest, etc.

The developed document incorporates the following goals, each of them addressing the cardinal issues of the present and future of the forestry sector. To achieve a part of these goals, the World Bank-funded Albania Forestry Project, with a total funding of US$ 23 million, is providing a substantial contribution.

These goals are:

- Protection of the forest fund.
- Sustainable management and environmental protection.
- The shift of the forestry sector toward market driven economy.
- Transfer of forests in use to communes.
- Management of the state forest fund.
- Development of protected areas and tourism.

Achievement of the above objectives (for some of them there are already some very encouraging results), requires implementation of a package of complex strategic actions or solutions, among which the more urgent are:

Institutional reform of the forestry sector. The first steps made consist in organizational and legal improvement, different training activities, etc.

In this context the following actions are suggested: review of the forestry legislation; continue the transfer of about 40 percent of state forests and pastures to communes (implemented study) and gradually to private ownership; organization of the forest service by regions; establishment of the "Forestry Corporation" (that will be legally and financially autonomous, but at the same time responsible for the forest fund); institutionalization of the allocation of a part of revenue generated through the forest fund, for the "Forest Development Fund" or the "Revenue Account", etc.

Strengthening and increasing of the authority of the forest service in protection of the forest fund. This is a permanent need especially during the transition and transformation toward market economy where instead of the old concept "forests, property of all people" a regressive concept on "forests as nobody's property" was emerging.

The legal support for reorganization of the forest police within the forest service is to be appraised positively. The forest police has been so far able achieve some very encouraging indicators. It should be admitted however that generally, because of the high pressure and needs of rural communities adjacent to forests or coppices, for firewood and fodder, the police has not been successful in the protection of the forest fund.

The evaluation of damages made on forests during the last 7-8 years through illegal logging, intentional fires, etc., in several US$ million, with hundreds of penal cases and administrative violations, of which only 4 percent is recovered, appeal for radical and fundamental transformations in this unit. For this purpose, reorganization into several inspectorates equipped with the contemporary logistic and communication facilities and vehicles as well as a better legal support is suggested.

Re-inventory of the forest fund, including the management of high forests remains a present need that is closely related to a better recognition of the forest resources. Such information will serve as a ground for all policies and sustainable and long-term forest management scenarios; also, sylvo-technical operations can be better determined.

Based on the contemporary experience, use of new methods and techniques for measurement and calculation is suggested. This would guarantee the quality of the information data.

Increasing the productivity of forest stands. This is a problem inherited from the previous decades. It requires investments and a constant, long-term commitment. Of priority are considered the investments on transforming about 50,000 ha of beech and oak coppice to high forest; improvement or thinning operations on over 185,000 ha of young forests, etc.

Protection of biotypes, conservation of genetic resources and establishment of ecologically balanced populations are some other strategic objectives in support of the future and developing a sound forest economy.

The origin of these objectives was a study funded by FAO, on selection of areas of special importance or protected areas, by evidencing about 39 areas and forest parks with about 85 thousand hectares that still require special attention as although some of them have already this status "de juro", "de facto" they being subject of various damages.

Also bare forest areas are problematic and becoming source of severe erosion, especially around dams and reservoirs. Meanwhile there are also about 100,000 ha of refused lands.

The only available solution for the forest economy, not only to control erosion but also to establish an ecological and balanced population of such areas, is reforestation as soon as possible with fast growing species like poplar, Monterey pine, etc., which is a good and fruitful silvo-technical experience for Albania.

Accessibility to forest economies – that is already a contemporary and primary demand in absence of which "silviculture is only an illusion" and a complex management of forest resources becomes impossible. This is still a problem that needs to be resolved.

Even though decades ago, accessibility to forests has received more attention than until now, especially through building of a network of forest roads with a total length of 3,600 km. However, this network is, in terms of both quantity and quality, still far from meeting the demands for a technical, economic and ecological management of forests. Rehabilitation of about 600 km of the existing forest road and building, according to studies, of 700 km of new forest roads that would enable logging on over 200,000 hectares of forest will be one of the most effective strategic solutions for the forest accessibility. The new roads will not only allow harvesting of several millions of m^3 of timber and other products, but also proper servicing of these areas through improvement operations, control of pests and diseases, extinction of any fires, etc., in addition to other opportunities for recreation and tourism.

The transfer of forests and pastures in use to communes – constitutes a strategic novelty that is already successfully implemented with about 25 percent of the defined objective. In many areas where forests and pastures have been transferred to communes and villages, rural population has become more aware and takes part actively in the development of management plans, implementation of sylvo-technical operations and more importantly in the protection against damages like in Komunà Kashnjet in Lezhe, Komuna Gjinar in Elbasan, Komuna Shengjergj in Tirane, Komuna Bubq in Kruje, etc.

Formulation and implementation of a new forestry marketing policy – related to market, marketing, prices, etc., remains to be a wide area with unexplored paths or options that need to be modified.

First of all, application of flexible and favorable fees on timber is important only for the exportation but above all to promote processing of timber in the country. This would serve to the revitalization of the wood processing industry that is actually atrophied by the competition of imported products. Liberalization of exports and introduction of international markets with the whole range of wood and non-wood products should be reviewed with the same logic. There is also a need to review forest fees that are still low compared to the real value of the forest (especially for firewood), and auctioning procedures in order to attract more competitors in order to generate revenues from the whole annual allowable cut, reaching to several US$ million/year. The modalities and bidding criteria should be more inciting and easy especially for commercial or forest operations like disbursement of credits, concessions, application of reduced fees where companies invest on forests. Full support should be provided to companies that initiate new activities like sylvo-tourism, sylvo-pastoralism, etc. Auction procedures need to be changed, where interested companies may compete for logging and extracting the timber on the roadside or predefined destination, while marketing of timber (either gross or processed) must be done by the forest service that would increase revenues up to 20 percent.

Professionalism and qualified thinking in forest operations – is required to be more qualitative, especially given the specific of operations, whose results can be obtained after a long period of time.

This is the reason that careful attention must be dedicated to licensing and selection of private companies for the implementation of the wide range of forest operations that are supported through the funds of the Albania Forestry Project financed by the Italian Government and IDA

Selection, which is result of a preliminary competition and based on such criteria like qualification and specialization, professional experience, equipment and labor techniques, must be followed by a continuous monitoring throughout the period of operations, to avoid any anomalies with negative environmental implications and high reparation costs.

Increased educational level in the forestry sector – is programmed and included within the forestry strategy. To achieve this objective, both institutions where specialists are trained are working on restructuring of teaching curricula in order to enable training of young forest cadres with a complete theoretical, practical and professional formation.

Meanwhile, to refresh the knowledge the World Bank-funded Forestry Project has organized several training courses, workshops and seminars on different technical topics. This is of course another efficient investment on the training in the forestry sector.

Promotion of forest research activities – that has been so much esteemed in the past, as result of commitment and scientific assistance of a wide range of specialists, is another real need that should be programmed in harmony and according to the themes indicated in the national strategy.

Inventory and management of existing forests, creation of new populations, protection against pest, diseases and fires, increased productivity, protection of biodiversity of forest flora and fauna, reforms in forest marketing, etc., must be supported by a new mentality and promoted through new scientific methodologies that are more advanced and effective.

Meanwhile, special attention must be paid to cooperation with research institutions and other international organizations, by appealing for staring new projects on the above topics or to promote and increase public awareness through topics like "Forest, environment and society", "Forests and their future", etc.

3. Forests not only an Ecological – Production Resource but also as a Source of Life and Employment

Rural population especially in the North-East and South-East regions where most of the forest fund is located, remains more connected to the forests than any other group.

The forest fund with the variety of complex operations for irs management, development and protection (without including here the wood processing sphere), has for many decades resolved one of the sharpest social problems for inhabitants of these areas that is employment (estimated at about 20 thousand people) and generation of income.

These opportunities nowadays are of course rather limited (only a few hundred people) as result of some phenomena like substantially reduced harvesting, failure to collect some secondary forest products, minimal investments on forest infrastructure, etc.

However, gradual implementation of the strategy objectives through investments and different projects (like the World Bank-funded project, some other foreign programs or through the Revenue Account of the DGFP), for different forest operations like tending felling, management, plantation, road rehabilitation, construction of dams, etc., will lead to an increased number of people working in the forest.

According to a simple calculation, based on an optimal average of 4 work days/year, that should be dedicated to every hectare of forest in order to maintain it ecologically sound and productive, our forest fund offers about 16,500 work places/year.

Inhabitants living adjacent to forests have also other indirect employment opportunities like full processing for both domestic and international markets of timber and other products, agroforestry, sylvopastoral management and tourism.

4. Instead of Closing, The Forest Appeal

The performance and initial results obtained from the implementation of the Strategy of Forests and Pastures are generally encouraging. However, the pace, impacts of programs and projects undertaken in support of this strategy, should be more evident, especially given the favorable situation created by:

➢ New conditions created as result of the overall economic reform in country.

➢ The gained experience and the satisfactory level of forestry specialists in forest economies and the educational and research institutions.

➢ The presence of foreign technical assistance and expertise.

➢ Gradual creation of necessary financial sources to conduct forest research and operations, purchase technical equipment, etc.

Institutional aspects of albanian agriculture reforms

From:
Dr. Magdalena BREGASI
Agricultural University of Tirana

1. Introduction

Neoclassic liberal treatment became the basis of initiation of market economy reforms in all ex-centralized economies. But, achieved results actually in ten years, deviate and do not correspond really to the projected ideas on the beginning of reform.

On this viewpoint, the report presentation task is to argument the factors of the phenomenon presented above, based on reform evolution of Albanian agriculture and their analyses on institutional aspect. So, on a first plane, it is aimed to present and analyze in general the core of neoclassic and institutional treatment. On as second plane we would like to analyze institutional aspects specifics of Albanian agriculture and respective problems. How does the green strategy respond to transition strategy in our country?

As conclusion, we would like to argue that institutional role should not be ignored to fast changes of Albanian agriculture with social cost as lower as possible. Only this way there will be more chances and perspective to agriculture branch and entire Albanian economy development.

2. Institutional aspects and transition

2.1 Definitions

First it must be emphasized that institutions became main concept of main contribution in interior production compared to other production and service sectors. So, referring to statistics, only in 1999, in the features of GDP, agriculture occupies 52.6% of the structure, while industry 11,9%, construction 13,5%, transportation 3,2% and other services 18,8 %.

Albanian agriculture assures approximately 70% of food reserves while food productions import is still important, though its high cost.

Indicators achieved by Albanian agriculture sector still remain the lowest compared to other countries entered in transition's road or other countries in Mediterranean region. This because of existence of a low productive level, not equipped to have high productivity.

Major part of areas is characterized as extremely power areas.

Devolution of reform of "land" institution as one of the most problematic. In fact, if acceleration was in the highest levels at the reform beginning, a strong division of land accompanied the process. As result, domination of familiar farms of such dimensions, located in difficult geographical conditions or lack of infrastructure, often left regardless because of a rank of other factors, let agricultural sector far from the values achievable by just a respective sector more cooperated and concurrent. While, if referred to legislative part of "land" institution, it is complete, but without finding still a solution to the sharp problem of its assessment.

Lack of structures and institutions in support of agricultural and livestock products trade.

Financing problems of agricultural sector remain important, especially really difficult for Albanian farmers. I think lack of a specific banker institution for agriculture, lack of agricultural countable plan etc., still remains significant. How can it be followed the financial gait of a farm when culture of keeping financial documents misses. How long will application of imposter and taxable system delay (though a potential law exists) ?

3.2 Weaknesses and potential possibilities of progress

Though restrains and weaknesses characterizing agricultural development are not few, without letting apart the steps undertaken under reforms, I would like to stay closer to an optimistic version regarding the future, relying on potential possibilities conditioning the progress. In such a situation, I am of the opinion that institutional role is much greater if we search to conscience more Albanian enterprisers. On this I would like to refer to him on dimensions legislation - organization and economic culture.

Referring not without aim to economic culture, I would underline that, according to my opinion, it would be one of institutional factors of more influence on agricultural sector, which should be considered very carefully. If referred to cooperatives system expanded in a 50 years period, it created determined norms of direction and attitude towards work and property, creating some informal rules of behavior. Lack of respect of ownership right and contract causes lot of consequences (indifference, abuses, laziness, value misusage etc.). Previous phenomenon heredities less serious attitudes in market economy conditions. Economic competences of agricultural enterprisers remain in very low levels. As result, risks of corruption and criminality remain evident.

Institutional gap of trading transactions requests a faster evolution. Support of farmers in products delivery and establishment of respective canals in local level and entire country must be more organized and legally based. Development of agricultural economy and agro-food industry has as indispensable condition the re-grouping and concentration of means in and between enterprises. On this viewpoint, state should play better its awareness and informative role in order to influence strengthening of organization competences of organization into businesses. All local authorities should take specific role.

Agricultural enterprisers (undertakers) should be awared on reciprocal relationships they establish in market economy conditions in economic background and other agents acting in this background. If there exists for example agricultural and livestock insurance, it is applied very few.

Engagement of Albanian Republic in WTO, on September 2000, should not be considered only on the euphoric prism of creation of a new image and faith, though the importance of these last. It must be propagated more as a step that brings multiple obligations to be respected. On this framework, there is lot to be done on legislative, as well as executive plain. Beside this great engagement, being a country hoping integration in E.C., we should not forget how much could we link the requests on agricultural sector considering the common agricultural politics. So, acquaintance of primaries and obligations must be considered as indispensable to agricultural enterprisers. On institutional side, this remains as an important moment of potential contracts either in the import or the export of agricultural products.

Another significant argument of weaknesses and potential possibilities of Albanian agriculture progress on the institutional plain is related to the reorganization of public structure. It would be considered directly related to the evolution of Ministry of Agriculture and Food (MOAF), as the main institution controlling the compilation and implementation of agricultural polices of the country. If we back up, concretely at the beginning of the transition, the transformation of this Ministry was strongly based on the opinions of foreign specialists (1993 – 1996), because of well-known reasons. Later on, the opinion of Albanian specialists concords more with that one of foreign specialists in the framework of different programs (PHARE program implemented the "Policy Advice Unit" project). Based on the evolution of selection of policymaking decisions, I would like to underline the assessment of agro policies control, establishing even a specific directory for the compiling and control of agro policies, which had a short period of functioning. Without pretending to judge the taken decisions, I would like to express the opinion that there are reasons to reconsider *"policymaking in every directory"* and furthermore the consideration of this principle as Statistics Directory component.

Cooperation with foreign programs set the basis of establishment of Agricultural Management Information System (FAO/001, GCP/ALB/001/ ITA) further followed by SARA project and relationships with INSTAT on statistics elaboration as well. But, despite of achievements, it still hard to get out information from this institute and plenty of burocratic restrains are to be passed through often to get data of research or academic need. Not to forget that we are living in a period of faster spread of information compared to the past. Today it is enough a web page in the international institutions' internet to get detailed statistics on your country avoiding exhausting bumps with the Albanian institution that pulls out the *"for internal use only"*.

Furthermore, I would like to underline another fact. How much is the public institution, in the case of MOAF, able to face the competition with private institutions, which are getting more and more information power, financial potentialities as well as policymaking (the case of AAC, etc.).

On this viewpoint, there is still much to be done by MoAF as a public institution in agriculture sector.

Institutional strengthening will have a more positive influence as a basis of entrepreneurial mentality progress. Capacity building of new rural entrepreneurs with management concepts will influence more on taking responsibilities.

As conclusion, potential possibilities of progress in agricultural sector are related to market forces action level. These last ones can be effective only on good institutional situation.

4. Conclusions and Recommendations

Institutional change should be considered as a key of future possibilities of Albanian agriculture development.

Though completed a decade of Albanian agriculture transition, it would have overcome more restrains during its road, if institutional aspects of the reform would have been taken more into consideration. This requests more efforts by local government, but even agricultural businesses enterprisers as well. But, implementation of new institutions requests indispensably financial support. Beside programs of poverty alleviation, programs of cooperation stimulation on basis of protection of land ownership rights, etc., would establish an evolution of Albanian agriculture development, detaching it from self-sufficiency phase.

Respecting institutions as land, ownership, contracts, requests an implementation and control of the respective laws and influences also on establishment of new behavior norms as well. Special care should be shown to better propagation and distribution of information related to the legislation acquaintance, that, together with the new forms of organization and economic culture, should be transformed to forces of stimulation of reciprocal cooperation among people respecting contemporary the law and without becoming victims of unfair businesses.

Training programs and awareness activities in the village should be led more by the most qualified opinion, which exists in one of best steps of theoretical-practical knowledge beside different departments of AUT. A better cooperation of the last one with different NGO-s and Albanian state institutional would be a plus in establishment and strengthening of new institutions of Albanian agriculture.

5. Bibliography

Alchian & Demsetz, The Property Right Paradigm , The journal of Economic History, 1973.

Civici, On agriculture development strategies, Economy and transition, N°1(15), January-March, 1998.

Development and agro-food policies in the Mediterranean region, CIHEAM, Annual report, 1999.

MOAF, Agricultural projects Catalog, Tirana, March 1999.

MOAF, Government strategy in agriculture development in Albania, Tirana, 1999.

Ruttan & Hayami, Toward a Theory of Induced Institutional Innovation, The Journal of Development Studies , 1985.

North, Economic performance through time, AER, 1994.

Statistic data from INSTAT, Ministry of Finances and MOAF, Tirana.

"Institutional Reforms" in Agriculture Financing

By:
Zana KONINI
Rural Financing Fund
Drini SALKO
Agricultural University of Tirana

1. Introduction

Opportunities of agricultural producers for additional financial resources during the transition period are rather limited, which certainly has impacts on production, farm restructuring and investments. These limitations are the result of the combination of factors related to costly and inadequate information on rural financial markets as well as a series of problems related to the transition period. An efficient rural financial market plays an important role in developing and increasing the overall agricultural production. This implies the establishment of a financial system to play the typical functions of a market economy. Moreover, an important aspect is mobilization and distribution of resources without governmental intervention and establishment of an institutional framework offering funds in line with the demand.

Of the two main sources of capital, external and internal, internal funds are the most important component. Internal funds will make up a considerable part of investment resources in the majority of countries with low revenues. One of the main monetary resources, that would cover a considerable part of funding on agriculture, are savings within this sector.

2. A view on rural financial markets and institutions operating in them.

Countries in transition are facing two challenges: *firstly,* the financial sector needs to be fundamentally restructured from a governmental institution for the collection of savings and distribution of funds to enterprises, to an independent financial system capable of carrying its functions under the market economy; secondly, its proper functioning is a prerequisite for restructuring and modernization of agricultural economies. One characteristic of financial markets is the assimetry of information. This means that the borrower will, during a credit transaction, know his readyness and opportunity to return the loan within the deadline.

The lending institution, on the other hand, does not recognize the real intention of the borrower and is not sure whether the borrower might change idea after receiving the credit. In such situation, the risk is high. The low profitability of farms is another problem related to rural funding, which limits opportunities for paying the loans back. On the other hand, the collateral plays an important role in farmer's opportunity to obtain additional financial resources. In economies in transition, the requested collateral by financial institutions for agricultural loans, has often been very high because of some transitory factors like: lack of ownership rights, lack of land market, high inflation, instability, etc. Moreover, banks often reject the agricultural land as collateral even when the ownership is clear due to lack of land market. This has led to creation of suitable institutional models that would better manage the above risk and adapt to rural sector funding. Many governments use specialized agricultural banks as their main institution to credit this sector. In many cases, clients consider such institutions as pseudo-governmental institutioins and the loans disbursed by these institutions as governmental aid, not as a commercial contract. In such case, agricultural banks continue to be governmental institutions that subsidise farms and therefore results are not good.

2.1. Banks and funding of farms

The reform and development of Albanian banking system intends to support other sectors of economy through banking services.

The demands of private farmers for credit to fund the purchase of inputs (fertilizers, seed, pesticides, etc.) and mechanization continue to be increasing. The rural credit and provision of financial services is rather restrained, especially due to banks' inability to respond to the growing demand for credit from the new private sector.

Although a specialised institution like the Agrarian Commercial Bank (ACB) used to operate to fund agricultural activity, it failed to achieve desired results in support of agriculture.

The inefficiency of credit operations of the Agrarian Commercial Bank can be expressed through the following two aspects:

- Inability of the bank to satisfy credit needs of small farmers. This was because the ACB used to act on trade principles. The cost of managing credits to a large group of small clients is high. Also, the level of interest rates has increased the cost of credit.
- Marginalization of the ACB from crediting in the agricultural sector. If we refer to the data related to the structure of disbursed credits according to the objects, one could note that the credit to other sectors (trade, construction, etc.) has taken a considerable part.

In the end of 1996, items "commercial activity" and "construction" represented 64 percent of remaining credit funds. Disbursed loans either through ACB funds or the funds of other donors that used to be channelled through the bank were mostly not oriented toward the economic activity of farmers.

The inefficiency of credit disbursement for the agricultural sector is also expressed through the considerable number of bad loans. In the end of year 1996 bad loans, in the three banks with state capital, represented about 33 percent of all disbursed credits. The crisis of 1997 has contributed to this negative indicator.

After 1990, private agricultural producers, in absence of opportunities to obtain credits from commercial banks, have used as additional funancial source borrowing from usurers, friends or other relatives.

According to a survey conducted on 648 farms during 1993-1994 in 25 of 36 districts, only 2 percent of farmers have used credit disbursed by the banking system. Among difficulties for obtaining a credit, they mentioned the high rate of interest, bureaucracy of procedures and the short maturity stage.

Year 2000 was characterized, along with expansion of private commercial banks, by a substantial increase in crediting of the economy. The macroeconomic stability, increased security in country and the improved investments climate have been some of the factors that led banks to increase their interest in crediting the economy. Almost all banks, following their own policies, have expressed their interest in crediting medium and large business enterprises. Even those banks that have in their own policy crediting of the small business (like FEFAD) focus their attention on clients from urban areas, not on farm economies. Limited credits in this sector have been disbursed in rare cases for agricultural and food enterprises and establishment of greenhouses.

One of the banks that has just started disbursement of credits in agriculture is the "American Bank of Albania". However, clients of the agricultural sector are very few in number and they usually operate in the western plains (where farmers are usually more specialized).

Some of the main reasons for lack of credit to farm economies are:

➢ Lack of an institutional capacity among commercial banks because of the high cost of small credits. Banks currently consider farm activities as small and therefore such loans for them would be costly.

➢ The small farm size as well as inadequate income will impede the ability of the agricultural sector and other related sectors, to absorb formal investments.

➢ The relatively high rate of interest (due to the very high premium for the risk of credit) is another impeding factor. Small farmers will not be able to pay back the credit with conditions offered by the bank. This results from both the practice followed until now and the conclusion drawn from the survey on farm budgeting.

➢ Banks usually see farms as non-viable activities that are not very sustainable. This is an aftermath of the overall trend to move toward urban areas.

➢ Small farmers often lack the collateral in order to meet bank criteria. The absence of a real land market is a relatively serious obstacle for crediting since land is still not preferred as collateral.

➢ Lack of baking infrastructure in the rural sector that is demonstrated by failyre on the parts of banks to expand activities in this sector. The only bank that is expanded throughout the country is the Savings Bank. This bank cannot disburse credits at present as it is undergoing restructuring and later privatization. All other banks operate mainly in Tirana and only during the recent two years they have started credit disbursement in some of the major cities.

2.2. Establishment of micro-financing institutions in villages – an alternative for supporting farm economies.

The lack of banks' interest in funding agriculture as well as structural transformations that the banks have undergone as result of economic reforms, have necessitated the establishment of rural financial institutions that are suitable to the conditions of our country. One of the most effective institutional models is represented by credit cooperatives that in our country are usually called Savings and Credit Associations (SCA). The experience of such associations in other countries has generally been successful. For example, in Romania cooperative banks have been successful in disbursing loans to small private farmers. In Bulgaria, the program of a mutual fund for agriculture was developed with the assistance of the Phare Program of the European Union. In Albania, the Rural Development Fund (RDF) and its component Rural Financing Fund (RFF) have also been successful.

The experience of countries in transition is different. For example, efforts to establish credit cooperatives in Russia did not provide the desired results.

Establishment and operation of new financial institutions in the rural sector is largely affected by different models of farm structure. The latter, varies in different countries from very large to very small farms (see the table below). The credit needs of large farms may be met through loans of commercial banks. While small farms, incurring high transaction costs, may be better serviced by credit cooperatives. Such institutions in Hungary, Poland and Romania are operating and tend to expand.

Table 1. Individual agricultural indicator in some countries (IAI) in 1995)

Country	IAI	Country	IAI
Albania	94,2	Czech Republic	22,1
Armenia	81,8	Hungaria	17,3
Latvia	80,2	Belarus	15,2
Romania	55,2	Ukraine	14,1
Bulgaria	45,4	Russia	12,1
Estonia	37,5	Slovakia	3,1

Source:Mathijs, E and Swinnen,J. (1998) "Economic Development and Cultural Change"

As it can be seen, as result of reforms, the Albanian agriculture is dominated by individual farmers. Distribution of agricultural land among farmers has been a relatively fast process in Albania. This resulted in the creation of a large number of small farms, about 380,000, with an average land area varying from 0.5 to 1.8 ha/family that is also fragmented in several sub-plots. This indicator makes the presence and operation of SCAs a necessity since they are a very suitable financial institution for this structure. Finance and micro-finance institutions may involve the savings of this sector in using them for its own development.

3. The role of the Rural Financing Fund in establishing SCAs.

During the recent years, the rural sector in our country has received additional funding from several sources. These include loans from the former Agrarian Commercial Bank, loans from international organizations (funds of different donors and development projects) as well as indivitual usurers (informal sector).

The Rural Credit Project that is implemented by the Albanian Development Fund, now the Rural Financing Fund, is the oldest project with the broadest expansion in rural areas of Albania. The project started initially in the framework of Rural Poverty Alleviation Project with the objective to alleviate the difficult transitory period for poor farmers and later, it took the complete shape of a micro-funding project. The Program offered a new credit system, based on collaboration between two chains: village credit council, and the credit officer. Disbursement of small credits to farmers, who could not qualify for credit from banks, was implemented through these two chains. In addition, the project provided training for the village credit council and farmers.

This project adopted credit schemes based on farmers' needs for small credits that would correspond to the economic level of their farms. The maximum credit level from hundred dollars disbursed in the beginning of this process is now US$ 2,000 and credits are provided for a three-year period. In certain cases credits up to US$ 5,000 have been disbursed.

Intervention areas during the recent years have been Elbasani, Tirana, Vlore, Krujë, Gramsh, Peshkopi, Kukës, Pukë, Has and Tropojë District.

Livestock has been for quite a long time the main activity developed under the credit. Later, credit started to be used for other activities like greenhouses, trade, agricultural mechanization, craftsmanship, etc., that are more viable activities and affect considerable the development of albanian farms.

Creation of new villages around cities as well as the increased interest on investments has changed the demand for credit both in terms of quantity, duration and funded activities. In the frame of new demands and project objectives, disbursement of credits beyond the usual limit was experimented. Hence, during 1999, 27 credits were disbursed with amounts Lek 300,000 to 500,000.

In addition to the above, the average amount of credits disbursed during this time (Lek 94,462) was increased about 20 percent compared to the average amount for the year 1998 (Lek 78,940). This trend has continued further on but by taking cautious steps, as the collateral is practically only moral.

Based on the above, the World Bank in cooperation with the Albanian Government has approved in the beginning of 2000, funding of a new project, whose strategic objective is to achieve financial sustainability and transforming the existing program of rural microcredit to a sustainable institution that would gradually become self-financing.

The main objective of the new Rural Financing Fund is to create a network of SCAs and support the progressive development of their union, in lime with the Law on Savings and Credit Associations, based on the existing village credit fund (with the current status as NGO). It also intends to enlarge the intervention area in the rural credit system by extending the network on the coastal plains by also adding a range of financial services offered to farmers.

The project intends to support transformation of the Village Credit Fund to a sustainable system, based on the SCAs. SCAs as organizations will aim at providing credits and collecting savings from the members. They will have a higher level of democracy, autonomy and responsibility than the Village Credit Fund. As organizations owned and capitalized by their own members, SCAs will have a much stronger initiative to maintain the financial sustainability and minimize the risk of a bad credit. Many tasks that are currently assigned to the VCF will be progressively transferred to SCAs, once they have the necessary qualification, autonomy and a higher maturity. After a maximal period of 3 years, SCAs will be supported to create their union.

Establishment of the SCAs is being implemented through two ways:

Firstly: establishment of SCAs through transformation of VCFs to SCAs. The RFF that has the knowledge, capability and the necessary experience, will play a very important role in this process.

The first 18 SCAs were established by the end of 2000 through this transformation and they are still in the consolidation phase. In the mean time, farms have received from the RFF US$ 1.8 million in credit, of which US$ 300,000 are credits to SCAs and the rest for the other areas where RFF is operating. The important aspect is the fact that farmers can now obtain considerable amounts in credit (this figure is increased at present at US$ 5,000) by focusing more on funding of investments. Some indicators of the RFF are provided in the following table:

Table 2. Indicators of the Activity of RFF

Figures in US$ (1$US = 140.0 Lek)

Indicators	31.12.1999	30.06. 2000	31.12 2000
Number of SCA members	0	112	505
Number of established SCAs	0	5	18
Number of SCAs under process	0	9	3
Outstanding loan	2 694 144	2 958 954	2 673 760
Number of active loans	5 754	5 415	4 423
Average amount of loans	468	534	605

Source: RFF; Annual Report 2000

Secondly: establishment of new SCAs. While the first approach presumes the initiative outside the village combined with farmers' initiative, the second approach is more original and is based on farmers' initiative only. This process in our country is at present making the first steps.

Establishment of new SCAs becomes especially important if we take into account the absence of the first approach. The analysis of farmers' economic activity and budget, indicates that in areas with development potential, the savings and credit return capacity is higher. On the other hand, these areas have a better infrastructure and above all can be considered as urban or suburban areas. Establishment of new SCAs in such areas is a priority since rural population living in such areas is less likely to move toward large cities. By the end of year 2000, with the technical assistance of the RFF, three new SCAs have been established in areas with good development potentials in agriculture. The analysis of gross and cash income of farm families indicates that farms in such areas generate higher income. Such areas include villages surrounding urban areas with micro-cities like Vore, Maliq, Milot, Divjake, Novosele, etc., that will be in future the place where SCAs will have their offices in support of improved banking services to farmers.

Better opportunities for establishing new SCAs have those urban areas where cooperation is well developed. Such farmer organizations that operate in the field of marketing, trade, etc., although limited in number, do exist. The successful establishment and functioning of the first SCAs is important since farmers will at first want to see the practical example before taking action.

In conditions where the reform of the banking system is causing a scarcity of financial services for villages, establishment of new SCAs will be the only way to fund farmers.

The current network of rural SCAs established with the assistance of different projects, has reached at 30. Under such conditions, the review of the legal framework by taking into consideration the proposed amendments with regard to supervision of such institutions by the Bank of Albania is urgenly needed. The draft law on SCAs that is developed with the contribution of the BA, is now in its final stage awaiting approval by the People's Assembly because such institutions are about to start involving the savings of their members.

4. Conclusions

The inefficiency of the banking system that caused the liquidation of the Agrarian Commercial Bank, has led to a paradoxical situation. Although Albania is an agricultural country, it does not have even a single financial institution that is specialized in funding the rural sector.

Under current conditions, the establishment and operation in the rural areas, of specialized financial institutions has become quite necessary. As a more suitable more, we think to establish and operate credit cooperatives or as they may be called 'savings and credit associations'. Only these institutions will be able to create a micro-credit system for Albanian farmers.

Establishment of new SCAs in areas with a clear perspective of agricultural development is also necessary. Such areas include groups of villages that are close to urban areas and small cities with an agricultural orientation. Areas where farmers' associations are set up and run, have better chances in establishing new SCAs. We think, these should be the first example of SCA establishment.

During the next 2-3 years, SCAs may be organized at local level. Consolidation of this network of SCAs, will naturally necessitate the establishment of the first SCA unions at local level (i.e. district or prefecture), and later the national union. This latter stage will logically lead toward transformation into an organized institution (bank) that would be subject of legal, regulatory and supervisory framework of the banking system.

5. Literature

Gabriel A.Fuentes "The Use of Village Agents in Rural Credit Delivery"
Journal of Development Studies, Vol.33.No.2;1996
Johan Swinnen and "Agricultural Finance and Institutional Reform in
Hamish Gow Transition Economies" Paper presented, 1998
Franz Heidhues and "Rural Financial Market Development";
Discussion paper Gertrud Schrieder, No.1 May 1999.
RFF Annual Report 1999; 2000.
Bank of Albania Annual Report 1098; 1999.
Agrarian Commercial Bank Statistical indicators 1994 - 1995 - 1996