

A Fair Deal for Albanian Farmers

Twelve years after the collapse of communism, a quarter of Albanians still live in poverty. Given its mountainous terrain, dilapidated infrastructure and tiny farms, Albania's farmers are more vulnerable than those in many developing countries. Albania's immediate neighbours and main trading partners are Greece and Italy – prosperous countries with highly subsidised farms. Now that markets are opening up, Albanian farmers are struggling to keep afloat in the face of growing competition from rich European Union countries. Oxfam is urging decision-makers to invest more in rural development and for EU trade and assistance policies to be reviewed. Reviews must be carried out prior to the signing of a new agreement between the EU and Albania.



Summary

Since the early 1990s, Albania has carried out a series of institutional, legal, economic and structural reforms to transform the once centrally planned economy into a market economy. Although many people are better off now than they were under communism, the transition to a market economy has been an uneven and painful process.

More than half of the population relies on farming, livestock and forestry to make a living. These activities account for over 35 per cent of gross domestic product. In isolated rural areas in the north of the country, poverty rates are as high as 90 per cent. Poor people are so dependent on agriculture for survival that agricultural policies have massive implications for poverty reduction.

Despite extensive restructuring of the agricultural sector since the early 1990s, farmers rarely have much produce left over for the market, and if they do, they have difficulties selling their produce due to poor road and transport infrastructure. Albanian farmers have also had to cope with inflows of agricultural imports, especially grain, fruit and vegetables.

Unfair trade rules combined with the inefficiencies of Albanian agriculture indicate potentially serious social and economic problems for further trade reforms. These reforms are planned in line with Albania's commitments to the World Trade Organisation and the Stabilisation and Association Process (SAP), which promises Albania the prospect of European Union (EU) accession.

Since the start of the SAP in 1999, the assistance provided by the EU, the largest donor to Albania, has shifted away from economic development towards prioritisation of EU integration. In line with EU priorities, most EU funding is allocated to combating fraud and organised crime, justice and home affairs, and border management.

Yet the European Commission's country strategy for 2002-2006 itself acknowledges that Albania is undergoing a crisis in the agriculture, infrastructure and energy sectors.¹ An external evaluation commissioned by the EU² suggested that the EU has made no effort to assess the poverty impact of trade integration and approximation to EU standards.

Given the state of the Albanian economy, there are strong grounds to argue that the country has more pressing development needs than the adoption of EU norms. More support needs to be channelled to the broader economic and social development needs of Albanian people.

Policy Recommendations

- 1 The Albanian government, with the financial support of donors, should implement a rural development strategy to support the integration of **subsistence farmers** into markets.
- The Government should target farmers from impoverished communities in the **mountainous area in northern** Albania, a region that has recently received low levels of public assistance.
- The Albanian Ministry of Agriculture should ensure that **effective extension services** are offered to farmers from remote areas, to provide them with advice on farming techniques and marketing.
- Poor rural communities should have **better road and transport infrastructure** and **marketing facilities** (wholesale markets, collection points) to increase their access to markets.

- Development agencies should encourage farmers to form **marketing associations**, and provide these associations with organisational and technical assistance.
- 2 A **Poverty and Social Impact Analysis (PSIA)** should be conducted prior to further trade reforms.
 - The Albanian government should commission and carry out the PSIA, with the financial and technical assistance of donors, particularly the European Union and the World Bank.
 - The PSIA should review current agricultural trade reforms in addition to those being proposed by the Stabilisation and Association Process.
 - The PSIA should assess the poverty implications of trade reforms, proposing concrete measures to minimise adverse impacts, and formulate recommendations on the best agricultural and trade policy choices to prepare small-scale farmers for EU accession.
 - 3 The **EU should review its Country Strategy for Albania** for 2002-2006, to ensure it is focused on poverty reduction and addresses Albania's pressing development needs in the infrastructure, energy and agricultural sectors.
 - 4 The Albanian Government should actively support current proposals at the World Trade Organisation to permit developing and transition countries to support their **food security** and rural development needs, and to introduce stronger clauses for **special safeguards** than at present proposed by the Chairman of negotiations on agriculture.
 - 5 The EU must end double standards in trade policy, particularly when it advocates trade liberalisation for Albania while failing to reduce its own **agricultural subsidies**.

Introduction

Albania was one of the last countries to be caught in the wave of communist collapse that first swept across Eastern and Central Europe in the late 1980s.³

After five decades of mismanagement, the state-run economy was a shambles and by 1990 public pressure for change was mounting. In order to transform the once centrally planned economy into a market economy, a series of institutional, legal and structural reforms have been carried out since the early 1990s. As part of the economic transition process, state-run enterprises were privatised and state involvement in internal and foreign markets reduced to a minimum.

Although there is a general consensus that people are better off now than they were under communism, the transition to a market economy has been an uneven and painful process. Making ends meet is still a real challenge for much of the population, despite consistently high economic growth rates since 1998.⁴ One quarter of the population lives in poverty⁵ and in isolated rural areas in the north of the country, poverty rates are as high as 90 per cent.⁶

More than half of the population relies on farming, livestock and forestry to make a living. These activities account for over 35 per cent of gross domestic product.⁷ Since the privatisation of the agricultural sector, private smallholder farming has dominated the sector. Over the last decade, these new "private" farmers have had to learn how to operate in a market economy. Farmers, already struggling to cope with changes in the agricultural sector, have also had to cope with the inflows of agricultural imports.

Rural development is the key to poverty reduction

In the early 1990s, the large collective farms, that used to produce the majority of agricultural produce during the communist era, were dismantled in favour of small private farms.⁸

The small size of these farms (1.3 hectares on average) makes it difficult for farmers, especially those in remote areas, to make a living. Out of the 440,000 farms spread across the country, 20 per cent can not even produce enough to cover their own subsistence needs, 65 per cent can meet their needs and generate a small surplus and only 15 per cent are able to produce for the market. In total, only around 30 per cent of agricultural and livestock products are actually marketed.⁹

Subsistence or semi-subsistence farms tend to be concentrated in mountainous areas, where land is least fertile and where about 60 per cent of the rural population lives. Market-oriented farms tend to be found in more fertile coastal areas. Legumes and cereals are produced for household consumption and forage crops grown for fodder for livestock. Sales of

livestock and dairy products account for about 70 per cent of farm income, and vegetables for about 20 per cent.

Farmers continue to face numerous challenges especially in remote areas. Produce for markets is low due to the limited size of arable land owned by families and restricted access to farm inputs (seeds, fertilisers, pesticides and equipment). Now that the state no longer distributes farm inputs and there is a lack of funding, poorer farmers are simply unable to purchase these inputs.

In remote areas, especially in the north and in the deep mountain valleys in the south-east of the country, even farmers who generate a surplus have difficulties transporting and selling their produce due to poor transport and road infrastructure.

Box 1 State-run agricultural system breaking down

The onset of change was very chaotic for Albania. Between 1991 and 1992 production levels plummeted leading to a rapid growth in poverty.

In the face of mounting debts and economic crisis, the state withdrew rapidly from the agricultural sector. As a result, state-run commercial farms lay idle or in ruins and farmers were no longer entitled to farm subsidies or services. Farmers virtually stopped cultivating, large areas of arable land lay barren and crop yields fell dramatically. During the rioting of 1991-1992, farmers also destroyed agricultural machinery that belonged to collective farms.

Thanks to the virtual collapse of the agricultural sector, Albania was instantly transformed from a once self-sufficient country into a country heavily dependent on food aid. In the early 1990s, food aid and credit-financed purchases of food accounted for 80 to 90 per cent of food consumption.

According to the United States Department of Agriculture, food aid to Albania has enabled the United States to "reduce wheat surpluses at home while meeting humanitarian needs abroad".¹⁰

Since 1998, agricultural growth has recovered to pre-transition levels. However, the sector continues to suffer from the changes that have occurred since the state led economy collapsed in the early 1990s (see Box 1.) For example, the irrigation system, crucial for agricultural production, was gravely damaged over the last decade, causing a considerable reduction in the area under irrigation.

Economic incentives to pursue agriculture are so low that a significant proportion of arable land remains uncultivated.¹¹ The lack of a viable agricultural sector and severely limited off-farm employment opportunities have contributed to high migration rates, mainly to neighbouring Greece and Italy.¹² In recent years, rural-urban migration has increased, particularly from the mountainous north of the country to the area around Tirana-Durres, where shantytowns have recently emerged.

Getting subsistence farmers into markets

Given that poor people are so dependent on this sector, the real challenge is to increase the profitability of agricultural activities so that the rural poor can earn a secure and sustainable living. The Government of Albania recognises that rural development is a key part of poverty reduction. The Poverty Reduction Strategy Paper, the national development plan for 2002-2004, outlines comprehensive measures to promote rural development. This includes the rehabilitation of irrigation and drainage systems, modernisation of farming machinery, and provision of rural credit.

Effective geographical targeting

Public measures to support rural development need to look at the geographic spread of poverty. Otherwise, this will exacerbate regional disparity and widen income inequality. In particular, public measures should target the remote districts in the north and northeast of the country, where half of the residents are poor and more than a fifth live in extreme poverty.¹³ In addition, while the central region, on average, fares better than the north, there are severe pockets of poverty in isolated villages in deep mountain valleys.

These remote mountainous areas have traditionally received little public assistance, as they were dismissed as economically unsustainable. However, Oxfam's experience in remote northern villages suggests that economic incentives to pursue agricultural activities would increase if farmers were provided with rural development support. (Box 2)

An effective targeting of poor mountainous communities would take into consideration the climate and soil conditions in mountainous areas, and promote better usage of natural resources, such as forest produces, medicinal plants and honey.

Box 2 One bridge made all the difference

Mguille is a remote mountain village in the north of the country. The nearest tarmac road takes two and a half hours to reach. The flood-prone banks of the river are only a stone's throw away from the centre of the village. The flooding made it hard for the locals to make a decent living. Their produce was often ruined and they were forced to decrease crop production as the ferocity of the river often prevented their access to the local market. Once Oxfam helped the villagers to build a bridge, farmers increased their crop production as they could now cross the river to the local market. Pashuk, a villager who helped build the bridge says *"we have increased our income by 30 per cent. Since we built the bridge, we are now trading not only in herbs, but also in potatoes and maize"*.

Survival of subsistence farmers

In order for farmers to secure a sustainable livelihood, they need to be further integrated into the market, and help contribute to the overall growth of agriculture in the country.

In general, subsistence farmers lack technical information about farm management and market trends, i.e. produce standards, quality

regulations, market prices and production techniques. Extension services provide farmers with this type of information. However, in a number of villages in the north of the country, farmers interviewed by Oxfam had not had any contact with extension workers in over five years. The Ministry of Agriculture should ensure that **effective extension services** are provided to farmers free of charge, especially in mountainous and remote villages. These services should be based in the rural communes so they are easily accessible and should concentrate on marketable produce.

In order to increase income generated from agricultural activities, poor farmers need to have better access to markets. In addition to transport and **infrastructure** development, the accessibility and availability of **marketing facilities** (collection points, trading centres, wholesale markets) is crucial. As one Albanian farmer claims, *“we need a market warehouse nearby, so that people will not have to pay high transportation fees for a 30 to 50 minute drive to sell even 5 kilograms of tomatoes”*.¹⁴

In general, Albanian farmers have little market power to influence the selling price of their products. There are so many small farmers that traders and wholesalers can get products at a low price, and generate large profit margins. By organising themselves into associations, farmers would be able to negotiate better prices and reduce logistics costs. Development agencies should help farmers to set up **marketing associations**, and provide these associations with organisational and technical assistance (business and marketing techniques).

Trade measures that fail to benefit the poor

Theoretically, agricultural trade liberalisation stimulates agricultural growth by expanding markets for domestic products and encouraging small-scale producers to become more competitive. However, in practice this has not happened and trade reforms have badly affected many Albanian farmers who were already struggling to cope with changes caused by the transition process.

Since the early 1990s, Albania has reduced its subsidies and measures to protect its agricultural sector. Tariffs for imports have been reduced, while import permits, quotas and minimum prices, which previously allowed the government to control import levels, have been abolished.

Trade reforms have been accompanied by a widening agricultural trade deficit. Agricultural exports have fallen by over 76 per cent (from \$121 million in 1989 to \$29 million in 2000).¹⁵ Albania has suffered major losses in the international market for some of its key produce such as tomato sauce and tobacco, due to the collapse of the state-run farming and processing systems, combined with the break up of the former eastern socialist block. Contrary to expectations, the trade concessions granted by the European Union, Albania's main trading partner, have not led to a concrete increase in food exports (see Box 3).

Box 3 Limited benefits from EU trade concessions

In 1999, the EU decided to lift trade barriers and open its market to the majority of industrial and agricultural goods from Albania. Under the Autonomous Trade Preferences (ATP), most industrial goods produced in Albania enter the EU market without quotas or customs duties. However, ten per cent of products, such as textile and footwear products, face quotas. As for agricultural goods, fresh produce face quantitative restrictions, but no customs duties, while processed goods enter on a reduced tariff rate.

As the EU is Albania's main trading partner, there were high expectations that these trade concessions would significantly boost Albanian agricultural exports to the EU. This has not happened.

While the terms are generous by EU standards, the EU has erected a number of barriers, which restrict trade concessions. In particular, the complex administrative requirements and the need to comply with the stringent technical regulations seem to have substituted for border protection.¹⁶

The main commodities that Albania has so far succeeded to export to the EU are textiles and footwear. Both of these require sub-contractors or "re-processing" (also referred to as outward processing trade).

In stark contrast, the value of food imports has increased by around 300 per cent (from \$58 million in 1989 to \$227 million in 2000). Since the external market opened up, small-scale farmers have had to compete with the influx of cereal, fruit and vegetable imports, mainly from Greece, Italy and Turkey. Once nearly self-sufficient in cereals, Albania is now heavily dependent on cereal imports due to the changes in internal and external market (Box 4).

Box 4 From self-sufficiency to dependency: the case of wheat

We used to produce a lot of corn and wheat, but now this is too expensive and there are no banks to give us credit. Also, the government imports too much wheat and we just cannot compete". Lakeh Kaya, farmer in Lushnja

Once a large wheat producer, Albania now relies heavily on imports to meet growing domestic requirements, especially in urban areas.

This reversal is due to the dramatic 50 per cent fall in wheat production, from (613,000 tonnes in 1989 to 285,000 tonnes in 2002¹⁷). This steep decline was due to a combination of changes in internal markets (collapse of state-run commercial farms, subsidy removal and shift to individual farming). The decline in production has been accompanied by a rise in imports. Wheat and wheat flour, imports mainly from the EU and Turkey, rose by around 670 per cent between 1989 and 2001. As the Albanian diet is very reliant on wheat – the country has one of the highest bread consumption rates per capita – demand continues to rise. Producing wheat for the market is no longer profitable, so people only produce enough for household produce such as bread. Less than 5 per cent of domestic wheat production is marketed.

In interviews with Oxfam, farmers have claimed that the surge in imports is undercutting the local economy (Box 5). They also claim that without more support, such as access to irrigation, road infrastructure and modern machinery, they cannot compete with the higher yields and bigger farms that characterise neighbouring Southeast European countries.

In the northeast region of the country, for example, despite the abundance of apple trees (Peshkopi has 200,000, Bajram Curri, 40,000) apples are imported from Macedonia and Greece.¹⁸ The Ministry of Agriculture of Albania also attributes the drastic decline in citrus production (which has decreased from 130,000 tonnes in 1992 to 26,000 tonnes in 2000) to a combination of production problems and stiff competition of imported products from Greece and Italy.¹⁹

Box 5 Inundated by imports²⁰

Dhimiter, a 46-year-old farmer from Shakuj claims, *“When cheaper products from Greece or Macedonia flood our markets, we are forced to lower our prices just to sell our vegetables. But we can’t afford to lower prices anymore otherwise we won’t be able to cover our own costs”*.

At wholesale markets in Tirana and Shkodra, the price differences between Albanian and imported products are striking. At one of the markets, local onions were sold at 80 leke per kilogram, while onions from neighbouring Montenegro were sold at 50 leke per kilogram. Some of the small-scale farmers who sell in this market come from remote villages in the mountainous region near the Montenegrin border. To market their handful or basketful of onions or potatoes, they often have to walk several hours to the nearest road and then pay for transport to get to the market.

Albanian farmers in Pogradec, near the border with Macedonia are worried about the increasing number of free trade agreements with neighbouring Southeast European countries and further tariff reductions. Farmers have witnessed Macedonian products flooding the market in the last ten years, even while tariffs were still in place. They claim that without irrigation, infrastructure, agricultural machinery and fertilisers, they will not be able to compete with these products. Some fear that they will have to abandon farming and worry about what the future holds for them.

Unbalanced competition

The overall trade deficit reached nearly \$1 billion in 2000. One of the factors that contributed to this was the high rate of agricultural imports.²¹ 30 per cent of total imports from the EU, Albania’s main trading partner, are agricultural products.²²

In order to stem the flow of agricultural imports, and develop an efficient and competitive agricultural sector, the EU recommends that Albania makes “serious efforts” to modernise production technology and improve quality of products.²³

While these recommendations are undoubtedly valid, the stark differences between the agricultural sectors of Albania and the EU need to be highlighted. Albania’s agricultural sector bears no resemblance to that of the EU. Not only is the agricultural sector in the EU more mechanised and advanced than the Albanian sector, it also benefits from heavy subsidisation. The EU provides massive support to its agricultural sector, under its Common Agricultural Policy. The policy includes a combination of export subsidies, internal price support, and direct aid to producers to compensate for revenue losses.

On average, the EU spends \$41 billion a year on agricultural subsidies. This amounts to \$16,000 per European farmer – equivalent to nearly fifteen times the income per capita of an Albanian.²⁴

Under the World Trade Organisation (WTO) Agreement on Agriculture, developed countries made a commitment to reduce their agricultural subsidies. However, rich countries continue to subsidise their exports, putting considerable pressure on world prices and undermining local markets in poorer countries. High subsidises means that farmers from poorer countries have to compete with artificially cheap imports from the EU.²⁵ Oxfam's research suggests that the EU is exporting agricultural produce at prices at least a third lower than the costs of production. For example, wheat and wheat flour, which are imported by Albania, are exported by the EU at a price 34 per cent lower than the cost of production.²⁶

By contrast, poorer countries, such as Albania, have been forced to abolish export subsidies and only provide minimal level support to its agricultural sector, in line with WTO requirements.²⁷ Moreover, as a relative latecomer to the WTO, it is subject to far more stringent tariff reductions than countries that were members when the Agreement on Agriculture was first adopted in 1995.²⁸

Flexible trade rules protecting and promoting agriculture

While the WTO continues to allow rich countries to subsidise their agricultural sector, it does not provide transition countries with enough flexibility to protect and support their own agriculture sector in terms of food security and rural development.

As indicated in a recent Oxfam report on global agricultural trade²⁹, the WTO Agreement on Agriculture does not offer developing countries protection against sudden import surges and price shocks on the one hand, or against subsidised imports on the other.

Albania has no intention of returning to heavy subsidisation and protectionism, however, the country still needs to retain the right to use tariffs and other border measures, which protect smallholder farming. As the governments of transition economies argue, "Leaving farmers fully exposed to the sheer play of market forces is not an option since this would destroy the agricultural sector".³⁰

Global trade rules should allow transition economies such as Albania to use a special clause protecting smallholder farmers from sudden surges in cheaper imports, which would otherwise have a devastating effect on their livelihoods. The Albanian Government should actively support current proposals at the World Trade Organisation to permit developing and transition countries to support their food security and rural development needs, and to introduce stronger clauses for special safeguards than at present proposed by the Chairman of Negotiations on Agriculture.

The Impact on Poor People

Further trade reforms are expected in line with Albania's commitments to the World Trade Organisation and the Stabilisation and Association Agreement (SAA). Formal negotiations for the SAA between Albania and the EU were officially launched in early 2003. Under this agreement, Albania is promised the prospect of EU accession, in return for which it must agree "to abide by the EU conditionality". Further trade liberalisation is a key part of the SAA. One of the objectives of this agreement is to establish a free trade area between the region of Southeast Europe and the EU.

Since 1999, trade relations between Albania and the EU have been managed by the Autonomous Trade Preferences Scheme, which allows the majority of Albanian goods duty-free access to the EU (Box 3). The SAA will oblige Albania to open up to competition from EU suppliers, and to reduce tariffs even further. It will also require commitments to harmonise legislation and regulations with those of the EU.

The inefficiencies of Albanian agriculture - low productivity and underemployment - indicate potentially serious social and economic problems for further trade reforms. Given that the Albanian people are so dependent on agriculture and subsistence farming for survival, Oxfam urges the Albanian government to carry out Poverty and Social Impact Analysis (PSIA) of agricultural trade reforms. This assessment should be conducted prior to signing the SAA.

The PSIA should re-examine agricultural trade reforms that have already been implemented and those that are being proposed under the framework of the SAA. The PSIA should analyse the effects reforms have had on poor people and propose concrete measures to protect them from adverse impacts. It should also recommend the best agricultural and trade policy choices to help prepare small-scale farmers for EU accession.

The main drivers of reforms, particularly the European Union, the World Bank and the International Monetary Fund, should provide financial and technical assistance to Albania so that they can carry out this assessment. The World Bank for example has recommended that trade reforms in Southeast European countries "need to take into account the social impact of trade reforms as well as their fiscal revenue implications".³¹

More appropriate assistance

Since the start of the Stabilisation and Association Process in 1999, the assistance provided by the EU, the largest donor to Albania³², has shifted away from economic development towards prioritisation of EU integration. According to an external evaluation commissioned by the EU³³, this shift has resulted in an increase in the number of projects focusing on formal EU harmonisation and integration requirements. For example, to fulfil EU requirements, the Albanian government has set up the Department for EU Integration and a Department for EU Harmonisation within the Albanian Ministry of Agriculture. The

evaluation also suggests that the EU makes no effort to assess the poverty impact of trade integration and approximation to EU standards.

Given the state of the Albanian economy, there are strong grounds to argue that the country has more pressing development needs than the adoption of EU norms. The European Commission country strategy for 2002-2006 for example, ³⁴ notes that Albania is undergoing a crisis in the agriculture, infrastructure and energy sectors. However, most of its funds are allocated to combating fraud and organised crime, justice and home affairs and border management, in line with EU priorities. While all these are critical issues, more support needs to be channelled to the broader economic and social development needs of Albanian people.³⁵

Recommendations

The Albanian government sees the Stabilisation and Association Agreement and the prospect of EU integration as a chance for development and stability. Integration must be used to promote rural development in Albania. And for this to happen, trading relations between the EU and Albania must be fairer: poor farmers cannot be expected to compete against low-priced subsidised EU imports.³⁶ Boosting agricultural production in Albania is crucial to guarantee food security of the rural poor, reduce rural underemployment and improve agricultural trade balance.

On the basis of this report, Oxfam recommends the following actions.

- The Albanian government, with the financial support of donors, should implement a rural development strategy to support the integration of subsistence farmers into markets.
- A Poverty and Social Impact Analysis should be conducted prior to further trade and agricultural reforms.
- The EU should review its Country Strategy for Albania for 2002-2006, to ensure that it reflects Albania's pressing development needs in the infrastructure, energy and agricultural sectors.
- The Albanian Government should actively support current proposals at the World Trade Organisation to permit developing and transition countries to support their food security and rural development needs, and to introduce stronger clauses for special safeguards than at present proposed by the Chairman of Negotiations on Agriculture.
- The EU must end double standards in trade policy, particularly when it advocates trade liberalisation for Albania while failing to reduce its own agricultural subsidies.

Endnotes

- ¹ See European Stability Initiative, *Western Balkans 2004: Assistance, Cohesion and the new boundaries of Europe: A call for policy reform*, 3 November 2002, Berlin, Brussels, Sarajevo.
- ² Investment Development Consultancy, France and Development Strategies, Italy, *Evaluation of EC Country Strategy: Albania 1996-2001*, September 2001. www.europa.eu.int/comm/europeaid.
- ³ For more information on the transition process, see *Oxfam Albania: An Oxfam Country Profile*, Neil Olsen, 2000
- ⁴ Annual economic growth has fluctuated within a 5 to 10 per cent range in the period 1993-2001, except in 1997, when economic growth was severely disrupted by the collapse of a nation-wide investment scheme. (This scheme, commonly called the pyramid savings scheme, wiped out an estimated 60% of private savings and led to a widespread breakdown in public order and political upheavals). For a detailed description of macroeconomic trends in Albania, see International Monetary Fund, *Country Report N 03/63*, March 2003
- ⁵ 25.4 per cent of the population live below the poverty line of 4,891 leke per capita per month, while 5 per cent of the Albanian population live in absolute poverty, i.e. below 3,047 leke/capita/month. Information provided by Albanian Institute of Statistics (INSTAT), February 2003, Tirana
- ⁶ The European Commission, *Albania Country Strategy Paper 2002-2006*, November 2001
- ⁷ The share of agriculture in gross domestic product, estimated in the range of 50-55 per cent. for the period 1991-2001, has been revised downwards in recent estimates. Information provided by the Albanian Institute of Statistics (INSTAT), February 2003, Tirana
- ⁸ In the communist times, about 500 large co-operative farms (averaging 1,024 hectares in size), and 150 state farms provided more than 90 per cent of agricultural production and cultivated the majority of the arable land. These farms mainly produced for the large agro-industry. See Centre International de Hautes Etudes Agronomiques Méditerranéennes, *Situation of Agriculture, Food and the Rural Economy in Albania*, 1998, Paris
- ⁹ Data and information on the Albanian agriculture sector are from: Albanian Ministry of Agriculture and Food, *Annual Report 2002*, German Agency for Technical Co-operation(GTZ), Tirana
- ¹⁰ "Glickman and Atwood announce countries eligible for US Food Aid Initiative", Press Release, No. 0322.98, United States Department of Agriculture, 1998
- ¹¹ In hilly areas, 80 per cent of arable land is cultivated, while in mountainous areas, only 40 per cent is. Albanian Ministry of Agriculture and Food, *Annual Report 2002*, German Agency for Technical Co-operation(GTZ), Tirana. Although land reforms have been approved, land ownership is still a contentious issue for some.
- ¹² Although reliable statistics are hard to come by, a large proportion of Albanian migrants in Greece are reported to work as seasonal agricultural workers
- ¹³ Information provided by Albanian Institute of Statistics, February 2003
- ¹⁴ Oxfam, Interviews with farmers in Lushnja, January 2003
- ¹⁵ Albanian Ministry of Agriculture and Food, *Annual Report 2002*, German Agency for Technical Co-operation(GTZ), Tirana
- ¹⁶ Out of the 84 per cent of total Albanian exports to the EU, which were eligible for preferential treatment, only two per cent were granted preferential access. Center for European Policy Studies, *Making EU Trade Agreements Work: the Role of Rules of Origin*, Paul Brenton and Miriam Manchin, Working Document N. 183, March 2002.
- ¹⁷ All data on cereal production and imports are from Food and Agriculture Organisation (FAO) Statistical Databases
- ¹⁸ International Crisis Group, *Albania: State of Nation 2003*, 11 March 2003
- ¹⁹ Albanian Ministry of Agriculture and Food, *Annual Report 2002*, German Agency for Technical Co-operation(GTZ), Tirana
- ²⁰ Oxfam, Interviews with farmers, 2002
- ²¹ Food products as share of total imports peaked at 32 per cent in 1999, before declining to 21 per cent in 2000. To finance its current deficit, Albania has relied on remittances from migrant workers, which reached over \$500 million in 2001. The budget depends to a large extent on foreign financing. Donor assistance and remittances are however are volatile and relying on these sources in order to ensure the food security of the population is a risky strategy in the long-term.

²² In the year 2000, about 77 per cent of imports came from EU countries, Italy being again the main partner (35 per cent), followed by Greece (26 per cent) and Germany (6 per cent). The main import partners outside the EU were Turkey with a share of more than 6 per cent, Bulgaria with 2.5 per cent and Macedonia with more than 1 per cent. European Commission website.

²³ European Commission Albania: *Stabilisation and Association Report*, Staff Working Paper, April 4 2002, Brussels

²⁴ In Albania, GDP per capita is estimated at around \$1,100. Figures on EU subsidies are from *Europe's Double Standards*, Oxfam Briefing Paper 22, June 2002

²⁵ For the damaging effects of dumping on smallholder farming in developing countries, see Oxfam, *Milking the CAP: How Europe's dairy regime is devastating livelihoods in the developing world*, Briefing Paper 34, December 2002

²⁶ Oxfam, *Stop the Dumping*, Briefing Paper 31, October 2002

²⁷ According to WTO rules, the government of Albania may subsidise up to 5 per cent of the gross agricultural product.

²⁸ Accessing members often have to comply with all of the commitments set out in the Agreement on Agriculture at entry, without time limits (i.e. a transition period for fulfilling the schedule of trade reforms) and regardless of any institutional weaknesses (moving from centrally planned to market economy).

²⁹ Oxfam, *Boxing Match in Agriculture Trade*, Briefing Paper 32, November 2002

³⁰ WTO Negotiations on Agriculture: Domestic Support- Additional Flexibility for transition economies: A negotiating proposal Albania, Bulgaria, Croatia, the Czech Republic, Georgia, Hungary, the Kyrgyz Republic, Latvia, Lithuania, Mongolia, Slovak Republic and Slovenia, G/AG/NG/W/56, November 2000.

³¹ World Bank, *The Road to Stability and Prosperity in South Eastern Europe: A Regional Strategy Paper*, March 1, 2000

³² From 1991-2000, Albania benefited from a total European Community assistance of € 1,020 million. Since 2001, assistance has been channelled largely through the Community Assistance for Reconstruction, Development and Stabilisation (CARDS). European Commission Website.

³³ Investment Development Consultancy, France, and Development Strategies, Italy, Evaluation of EC Country Strategy: Albania 1996-2001, September 2001. www.europa.eu.int/comm/europeaid.

³⁴ In the case of Macedonia, for example, one of the SEE countries that has negotiated a SAA, the evaluation recommended that "a more effective strategy to achieve the EU political goals would be to support Macedonia's economic and social development, which in turn would lead logically to EU integration". www.europa.eu.int/comm/europeaid

³⁵ For a critical overview of EU policies in Southeast Europe, see European Stability Initiatives, *Western Balkans 2004: Assistance, Cohesion and the new boundaries of Europe: A call for policy reform*, 3 November 2002, Berlin, Brussels, Sarajevo

³⁶ Thus far, the EU has thus far not provided any detailed analysis on how the eventual accession of the SEE countries will impact upon its Common Agricultural Policy – whether and how CAP will extend to current accession countries was a subject of intense negotiations between the EU and these countries.

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