



Western Balkans agriculture and rural development policy in the context of EU integration - The case of Albania and North Macedonia



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ARTICLE INFO

Keywords:

Agriculture
Rural development
Western Balkans
EU integration

ABSTRACT

The agricultural sector is a cornerstone of social and economic life in the Western Balkan (WB) countries. However, it faces challenges of slow productivity growth, limited access to assets, and vulnerability to external shocks like climate change. Agricultural policies are crucial to enhance productivity, efficiency, and standards compliance in the European Union (EU) integration context. In this context, WB countries have been developing institutional frameworks while steadily increasing budgetary transfers to agriculture and rural development. The paper enables a comparative analysis of the agriculture and rural development support policy in Albania and North Macedonia with focus on main trends and reasons for potential shortcomings in relation to the EU Common Agricultural Policy (CAP). Efforts to enhance policy frameworks, institutional capacities, and agricultural productivity will be critical in achieving alignment and fulfilling the aspirations of EU accession.

Introduction

One of the main political objectives of Western Balkan countries is accession into the European Union. The region is committed to adhere to the EU CAP in the future (Erjavec et al., 2021) – indeed, that is one of the most important and complex sphere of negotiations to partake into the common market in the context of EU accession. To become part of EU, the agricultural sector in WB countries should make strong efforts to improve performance, competitiveness and comply with standards, which requires significant resources and attention from policy-makers.

The agricultural sector is crucial for social and economic life of all countries in the region; it is an important source of employment and income for the economy, considering that a large share of the population still resides in rural areas, and is engaged in the agricultural sector. The contribution of agriculture, forestry and fisheries to the gross value added in the Western Balkans varies between 5.6% in Bosnia and Herzegovina, 9.2% in North Macedonia up to 21.3% in Albania in 2021, much higher when compared to EU where the share of the sector to the GDP is lower than 2% (EUROSTAT (2023)). Despite growth and importance, the agricultural sector in WB region remains underdeveloped and largely dominated by small-scale farms. Farmers

tend to depend on farming because of a lack of alternative income sources rather than its profitability (Zurovec and Vedeld, 2019).

The rural areas continue to experience hindrances due to the still slow productivity growth, high unemployment rates with persisting out-migration trends, limited access to productive assets, fragmentation of agricultural land, weak value chains organization, lack of modernization and applications of new technologies, and not fully functional knowledge and innovation transfer systems to support the sector (Erjavec et al., 2021; Kotevska and Martinovska Stojcheska, 2015; Pokrivcak et al., 2019; Todorović et al., 2020; Zhllima et al., 2021a). The sector is highly vulnerable, increasingly exposed to external shocks, such as those caused by climate change. In parallel, food security (implying the availability of sufficient, nutritious and affordable food supplies) remains a priority, due to high food supply variability, high dependence on imported food (e.g. cereal), and lower Gross Domestic Product (GDP) per capita in these countries when compared to more advanced/ EU economies (Cukaliev et al., 2022).

The WB region's location provides an attractive position for supplying to the European Union, which already is the region's major trading partner (Sanfey and Milatovic, 2018). Recent studies showed that most WB countries have comparative advantages in exporting agri-food products (Matkovski

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et al., 2021). In the context of WB integration into the European Union (EU), the importance of achieving agricultural efficiency in an economic context is crucial (Đokić et al., 2022). Thus, agriculture development policies are crucial to improve productivity and efficiency, tackle standards compliance and capitalize on the potentials, while also taking into account the sector's sustainability simultaneously in economic, social and environmental terms.

This paper aims to analyze agriculture support policies in the WB with focus on Albania and North Macedonia, highlighting trends, challenges, achievements and proving recommendations. Both countries share similar structure of agriculture and population size. What is more important, is despite Albania and North Macedonia having different pace of progress as assessed from the European Commission (EC, 2022a; EC, 2022b) and in fulfilling their commitments in the stabilization and association process (Martinovska Stojcheska et al., 2024), they currently share the same position in their efforts to become members of EU. Albania and North Macedonia started accession negotiations simultaneously in 2022 (while Serbia and Montenegro did years ago, Bosnia and Herzegovina in 2024 and Kosovo has not reached that stage yet). The capacity of each country to achieve the EC settled benchmarks in the future are strongly related with its capacity to support agriculture in current time. In this context, this study provides a comparative view of both countries in terms of agricultural and rural development support and policy management.

The paper is structured as follows. After the introduction, the second section consists of a literature review with focus on global and regional agriculture and rural development policies trends. The third section describes the methods, the fourth presents the results, and the last section draws the main conclusions and recommendations.

Literature review

Since the early 1960 s, both developed and developing countries have been making strong efforts to directly support the agriculture growth, due to the economy benefits from poverty alleviation and the contribution of rural economy in both demand and supply (Ellis, 1992). Major approach for supporting the agriculture sector was based on production and trade subsidies. Farms in the EU have been subsidized heavily since the inception of the Common Agricultural Policy (CAP) in 1962 (Swinnen, 2015).

Reforms promoted in the framework of WTO commitments by US in 1987 and subsequently endorsed by EU required to minimize production and trade subsidies/support and shift income support away from price support for commodities. Later in the 1990 s the developed countries shifted support policies towards direct income support and payments targeted at environmental and other objectives. For instance, the EU Common Agriculture Policy (CAP) was subject to large reforms, beginning with the MacSharry reforms of 1992 which reduced market price support and introduced direct support. A decade later, Luxembourg Reform or so called the Fischler Reform in 2003 encouraged decoupling of direct payments from production (Single Farm Payment - SPF).

In the aftermath of these reforms, despite the improvements, the CAP has been criticized for policy incoherence with its stated objectives, since huge subsidies continued to provide EU farmers with support to production and therefore enabled them to compete unfairly with developing countries (Mathews, 2013). For instance, in 2010 three new objectives that address environmental and societal challenges were introduced, but again a largest share of the CAP budget went to direct payments, while the Rural Development Programme, including agri-environment-climate measures, remained with a minor share (Pe'Er et al., (2019)). The main motivation for keeping direct payments high is because that ensures the productivity of the farming sector and the standard of living for farmers in the EU (Latruffe et al., 2017).

To balance out the challenges, a new CAP reform was formally adopted in 2021 and entered into force in 2023, paving the way for a fairer, greener and more performance-based CAP 2023–27. This policy is stated as a key tool in reaching the ambitions of the Green Deal, with its Farm to Fork and biodiversity strategies. Each EU country designed a national CAP Strategic Plan, combining funding for income support, rural development, and market measures (EC, 2023).

Since the beginning of the 1990 s, WB countries vision and perspective was tied to EU membership. With the Stabilization and Association Agreement (SAA), these countries became committed to their aspirations to join the EU as full-fledged members. The Common Agricultural Policy (CAP) represents the main model for agricultural policies to be followed and fully met upon accession from WB countries. The adherence to the CAP assumes developing the WB countries' capacity to take on the obligations of EU membership, with strong reliable management, control, and support systems to facilitate integration into the EU's single market (Erjavec et al., 2021). The agricultural and rural development policy in WB countries generally follows the main EU CAP strategic orientation, with competitiveness, environmental protection and development of rural areas being a common denominator in the policy goals present in all countries' strategies (Martinovska Stojcheska et al., 2024).

All WB countries have put in place operational institutional frameworks for policy design and implementation. However, many of the institutions still lack fully functional structures and human resources necessary for proper operations, particularly with regard to implement the complete CAP-like policy cycle, consisting of planning, disbursement of support payments, monitoring, evaluation, and contribution to the formulation of the CAP support system. Only through a thorough policy appraisal, policy makers may learn what to feed back into the resetting of policy objectives (Bozzini and Hunt, 2015). In that respect, what is particularly missing in the WB agricultural policy settings is effective systems for evidence-based policy analysis, evaluation, monitoring and impact assessment, to steer a transparent implementation and limiting rent-seeking behavior with regard to the distribution of support (Erjavec et al., 2021). At the same time, the absorption of the available funds by the final beneficiaries strongly depends on their attitudes, encouragement and capabilities; a study carried out in North Macedonia, Serbia and Bosnia and Herzegovina found while farmers (in these countries) do perceive the available options in policy support positively, their abilities and self-confidence to apply, especially in rural development programs, are lacking, urging for systemic support in the application procedure and bureaucracy, and overall knowledge gaps (Martinovska Stojcheska et al., 2016).

Though adhering to the CAP objectives is a requirement for the WB countries to join the EU, from a WB countries national perspective, the CAP resembling WB policy designs may not always be the best choice of action. The Covid-19 and Ukraine War-related crises have additionally created a new environment where countries move away from their strategic planning and actually implement policies that are most adequate from their own national perspective and act to preserve the domestic sectors (Erjavec et al., 2021; Martinovska Stojcheska et al., 2024). The process and drive for enhanced harmonization are furthermore slowed down by the uncertain timeframe of EU accession. As noted earlier in the introductory section, despite a different pace of preparatory time for the EU accession negotiations, different speed of progress for legal and policy alignment made during the years, two countries which are the focus of this paper, Albania and North Macedonia, are currently at a similar phase of accession. While North Macedonia was granted candidate status in 2005, Albania received candidate status in 2014, nine years later. For many years North Macedonia was unable to start accession negotiations due to the veto of Greece until 2018, and of Bulgaria after 2020. After Bulgaria's parliament lifted the veto in June 2022, the negotiations started officially in July 2022 and the screening process commenced for both countries. Although the negotiating positions of both countries are similar, the duration of negotiations depends on the speed of reform and alignment, but also on political will, both from the countries and the EU.

Country cases context

In Albania and North Macedonia, as in the other WB countries, the agricultural sector remains an important source of employment for a major share of the rural population, as well as in providing sufficient quantities of many agri-food products to the local consumers. Therefore, agricultural policies in these countries have a crucial role in promoting sectoral growth and achieving a better livelihood in rural areas.

The Albanian policy framework in agriculture and rural development is

already consolidated. The National Strategy for Development and Integration 2021–2027 and the Programme of the Albanian Government (2021–2025) are the reference documents for setting the overall goals and general objectives for the agricultural and rural development policies which are then structured within the Strategy for Agriculture, Rural Development and Fisheries (SARDF) 2021–2027. The later is an umbrella strategy which is translated into a financial package under the Agriculture and Rural Development Programme Fund (ARDPF). Reinforcing a sustainable and competitive agri-food sector remains a primary objective of the agriculture policy, and highly reflected in the budgetary support compared with other strategic goals related with the environmental protection as well as maintaining the socio-economic fabric of rural areas. A very important policy framework is also the adoption of the Instrument for Pre-Accession Assistance in Rural Development Programme (IPARD III) for the period 2021–2027 in Albania. Nevertheless, funding from ARDPF is by far the main source of support for the agriculture and rural development (corresponding to 70% of the total, the remainder being contribution of IPARD and other international funding). Therefore, the formulation and implementation of ARDPF remains a cornerstone of the overall budgetary support.

North Macedonia's agricultural policy is similarly aimed at aligning with the Common Agricultural Policy (CAP). The National Strategy for Agriculture and Rural Development (NARDS) 2021–2027 is the third in row strategic document outlining the country's strategic orientation with CAP-like goals. In a nutshell, the policy focuses on increasing the competitiveness and the economic sustainability of the agri-food sector, applying environmental practices in production that lead to mitigating and adapting to climate change, and ensuring sustainable rural development (MAFWE, 2021). In addition to NARDS, the IPARD III programme for the period 2021–2027 has also been adopted in North Macedonia. The country has already gained significant experience from the previous two IPARD cycles, using this instrument to boost investments in the primary and processing sector, as well as in the farm diversification and business development. The country's policy operational framework is defined in the National Program for Agriculture and Rural Development for the period 2018–2022, as well as the newly adopted National Program for Agriculture and Rural Development 2023–2027, where the Strategy implementation has been further facilitated through planned measures and budgetary allocations. These multiannual programs give grounds for further execution of the annual support programs: for agriculture, rural development, fishery and aquaculture.

Currently, both countries' strategic framework converges into a joint development vision, taking into account the Sustainable Development Goals (SDGs). In line with the EU ambition to become climate-neutral by 2050, the countries have also committed to this and to aligning with the European Green Deal's key elements by endorsing the Green Agenda for the Western Balkan (GAWB) and specifically the Economic and Investment Plan at the Summit in Sofia in 2020, and subsequently the GAWB Action Plan, at the Brdo Summit in October 2021. In addition, both countries are committed to the prospects of full-fledged EU membership, eager to proceed as fast as they can, considering the expected benefits and costs associated with it. The impact of alignment with the EU CAP on these two countries is expected to be of great importance and impact. EU accession, provides farmers access to EU CAP funding, while also obliging these countries to contribute to the overall budget. According to Rant et al. (2020), a gradual but very substantial increase in EU budget allocations is apparent after North Macedonia's and Albania's hypothetical EU accession. The post-accession net balance of costs and benefits is expected to reach 158 and 142 EUR per inhabitant in North Macedonia and Albania, or 2.6% and 2.5% of GNI in each country, respectively. This value means an estimated net balance increase by 243% in North Macedonia and 332% in Albania, compared to the pre-accession period (Rant et al., 2020). However, these achievements are strongly related with the overall level of financing in the future, and to the structure of the CAP at the time of accession.

The agricultural policy operational framework is carried out by the respective ministries of agriculture and payment agencies¹ in both countries.

Institutional functioning has led to scarce alignment of the agriculture policy with CAP. For instance, in Albania the absence of an Integrated Administration and Control System (IACS), which is the essential building block of the management of payments system within a CAP-like policy structures, has raised concerns about the monitoring and control of the implementation of recent measures, including fuel provision, payments for newly planted medicinal and aromatic plants, and payments for grain production. This has been highlighted in each European Commission Progress Report for the country. In North Macedonia, the IACS has all the necessary elements already in place (EC, 2022b). However, the data quality in some segments such as the Farm Register is still not fully satisfactory, as well as the inter-operability and exchange, checks and functionality across different registers and elements of the system and across the responsible institutions.

Methodology

The conceptual logic behind the comparison of the agricultural policy developments in pre-accession countries such as Albania and North Macedonia towards their harmonization with the EU CAP takes into consideration the strategic policy framework, the extent and allocation of financial resources transferred to through different instruments and measures providing direct producer support, improving competitiveness, sustainability and quality of life and employment in rural areas (Erjavec et al., 2021). This approach allows both qualitative and quantitative assessment of the state and progress of the national policies alignment in Albania and North Macedonia in view of the common goal of EU accession and joining the CAP.

The strategic policy framework assessment is based on a thorough review of policy strategic and programming documents. The budgetary transfers in monetary terms are derived using the Agricultural Policy Measures Classification tool (APMC), based on a uniform classification of the different policy measures among countries preparing for EU membership with the CAP (Volk et al., 2014; Rednak et al., 2013; Volk et al., 2019). The EU approach based on the policy pillars is used to create a consistent classification of agricultural budgetary support, with three primary pillars within APMC: (1) market and direct producer support measures, (2) structural and rural development measures, (2) other general measures related to agriculture.

To facilitate a comparison of budgetary support across countries, we use descriptive statistics including tables and graphs illustrating the differences in the overall level of support and structure of budgetary transfers using a CAP-like categories, namely Market and Direct Producer Support Measures and Structural and Rural Development Measures. To examine structural disparities between countries we use relative indicators, such as total budgetary support on a per-area basis, per capita, and per holding, as well as the proportion of the total budgetary support in the respective country's agricultural GVA. The total budgetary support (TBS) includes all transfers to agriculture and rural development, from national sources and other sources, such as IPARD funds.

Results

The results section elaborates the composition of budgetary transfers to agriculture and rural development, comparatively between Albania and North Macedonia in the period from 2013 to 2022. In Albania, over the past decade, there has been a notable increase in budgetary support for agriculture. In 2022, the allocated support for agriculture reached 3.2% of the Gross Value Added (GVA), totaling EUR 85 million (Fig. 1). Despite this significant upward trend, it is important to note that this level of support still provides a limited contribution to promote market orientation and enhance the competitiveness of the agri-food sector. Furthermore, it falls short in adequately addressing all sector's challenges, especially those related to climate change mitigation and adaptation

(footnote continued)

the Payment Agency is named Agriculture and Rural Development Agency (ARDA). Whereas in North Macedonia, the line ministry is the Ministry of Agriculture, Forestry and Water Economy (MAFWE) and the Payment Agency is titled as Agency for Financial Support to Agriculture and Rural Development (AFSARD).

¹ In Albania, the Ministry of Agriculture has changed name on several occasions – currently is named Ministry of Agriculture and Rural Development (MARD) whereas

and meeting the demand for community development and social capital in rural areas. In 2022, Albania's support structure exhibited greater diversity, although it continued to prioritize financing for structural and rural development measures (the second pillar).

In North Macedonia, there is a continuous increase in the total budgetary transfers to agriculture, from EUR 109 million in 2013 to EUR 154 million in 2022 that results from the increase in all three pillars (Fig. 1). Out of the total budgetary support, in the period 2013–2022, 97% are transfers from the national budget, while the remaining funds come mainly through the IPARD I (2007–2013) and IPARD II (2014–2020) programme. Budgetary support of agriculture mainly focuses on market and direct support measures, with structural and rural development measures lagging behind (Fig. 1). In 2022, relative to the 2013, there is a slight decrease of the share of the direct producer support (11.8 percentage points) on behalf of the increase of the rural development support (9.4 percentage points) and other measures to agriculture (2.4 percentage points). This tendency is still slowly progressing, despite the strategic orientation to inject about one-third of the support to the second pillar. Besides the substantial amounts dedicated to the agricultural and rural development, since most of the funds are dedicated to income support, the effects in structural improvements, modernization and above all in supporting the environmental and societal benefits remain limited.

Direct support in Albania was traditionally structured around payments tied to the number of animals, such as sheep and goats, dairy cows, and bee hives, with minimal consideration for area-based payments or subsidies until recently. However, there has been a notable increase on the utilization of direct support funding. Before 2021, Albania did not offer area payments, a departure from the practice in most Western Balkan countries. The reason, is partly related to the limited budget and partly to the absence of an effective monitoring system and the limited progress in establishing the Integrated Administration and Control System (IACS) (EC, 2022a). The country has not been able in the last decade to create a Land Parcel Identification System and has been very slow in preparing a functional Farm Register. The absence of

IACS has resulted in the absence of decoupled payments, as advocated by the Common Agricultural Policy (CAP). If in the period 2013–2020 in average market and direct support measures took about 12%, this share was significantly increased to 22% in 2021 and up to 41% in 2022 (Fig. 2). This increase has been driven by mounting challenges stemming from the pandemic, international market disruptions, and the comparatively lower level of direct support when compared to neighboring Balkan countries. Consequently, there has been an effort to increase both the overall financial support and expand the range of supported agricultural products. Notably, over 40% of the support is directed towards specific commodities, with a particular emphasis on livestock commodities. This strategic allocation is rational, considering the significant contribution of livestock to output and the crucial role it plays in ensuring food security in Albania.

In 2021, the ARDPF introduced a measure that provided diesel as an equivalent value to the total fuel tax exemption required for mechanized land operations, aligning with area-based principles. In 2022, this measure was enhanced in response to the additional costs arising from the surge in fuel prices due to the Russia-Ukraine conflict. Furthermore, in July 2022, a direct payment per hectare was introduced to support farms planting more than one hectare of grain. Notably, in 2022, there was a revision of the support measure for medicinal and aromatic plants (MAPs), where payments were transitioned from being based on the number of seedlings purchased to an area-based approach, focusing on newly planted areas.

In North Macedonia, direct payments, mostly coupled, are the major form of support among the market and direct producer support measures, taking up to 95% of the first pillar (Fig. 2). Direct payments per output (unit of agricultural product) contribute to about 40% of total direct payments, and are mostly linked to payments per kg or liter of primary production outputs delivered to the processing industry. The payments linked to the capacity (per area of agricultural land or per head of livestock) account for the remaining 60% of the direct payment support. These payments are subject to cross-compliance to ensure application of good agricultural practice.

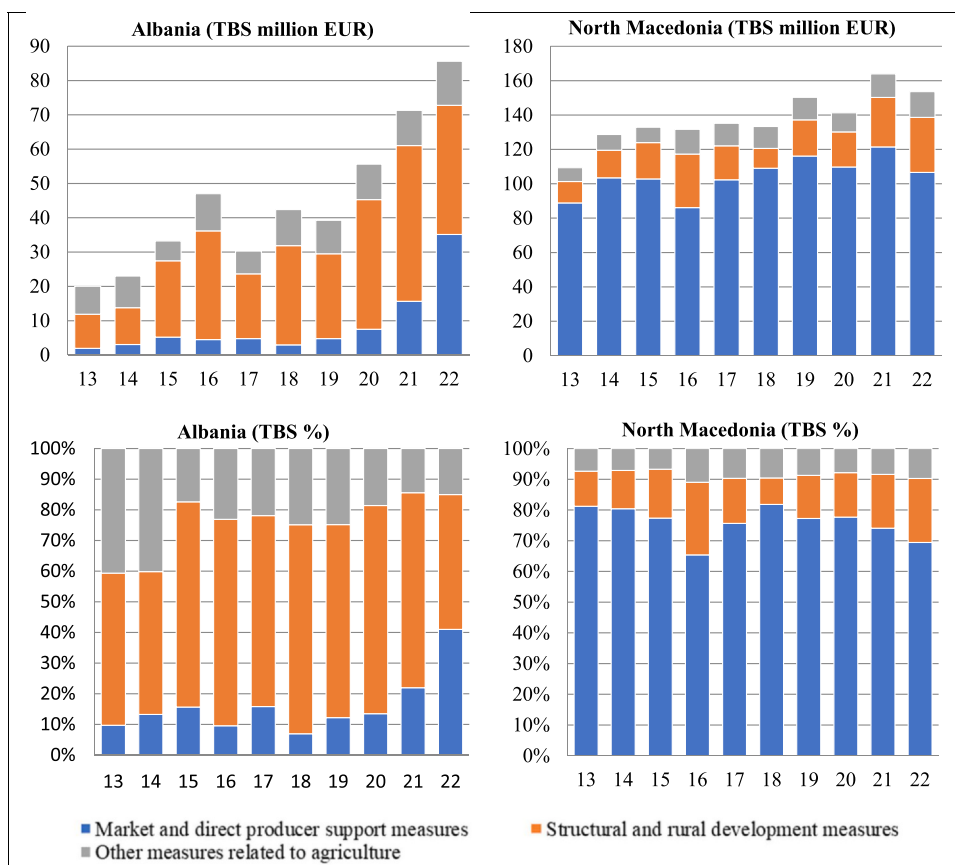


Fig. 1. Total budgetary support (TBS) to agriculture in Albania (left) and North Macedonia (right), in value and percentages. Source: AL, 2023, MK, 2023.

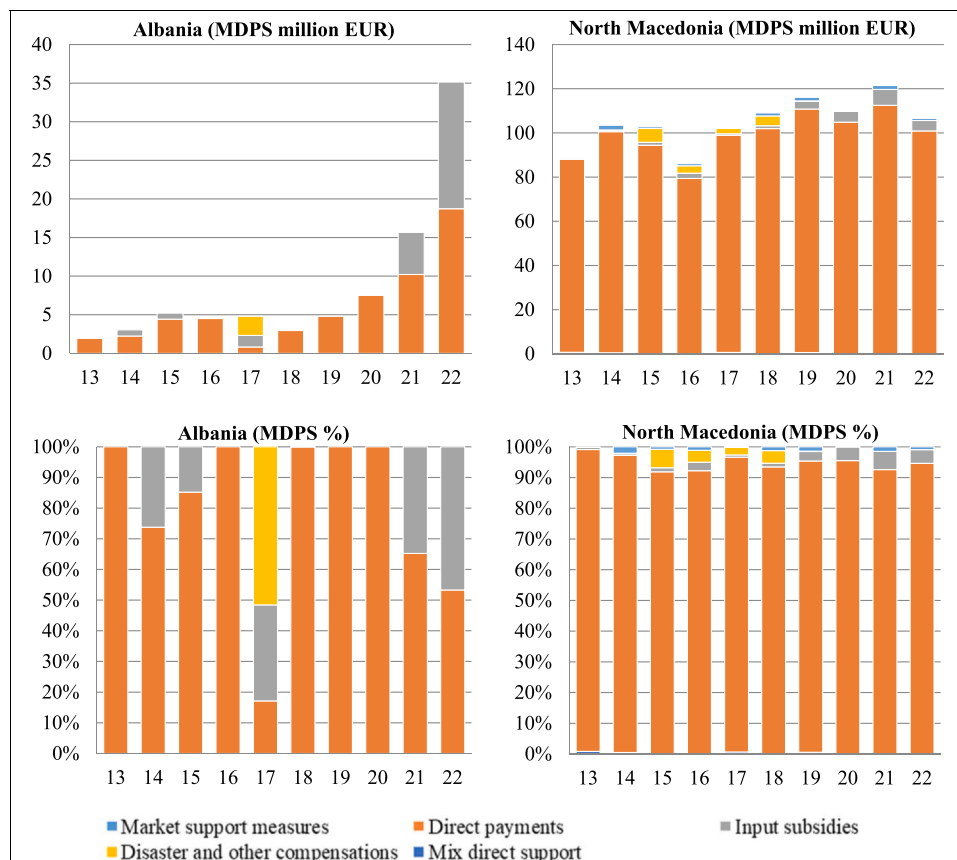


Fig. 2. Market and direct producer support measures (MDPS) in Albania (left) and North Macedonia (right), in value and percentages. Source: AL, 2023, MK, 2023.

Input subsidies have been applied in the form of insurance subsidies, and through the recently re-introduced measure in 2019 of subsidizing the cost for fuel used for agricultural machinery (“green fuel”). There were also compensations to producers for damages caused by natural disasters (late frost, hail, drought and flood) that affected agricultural production in the last few years. The recent crises triggered by the Covid-19 pandemic and the war in Ukraine, have pushed for some policy measures oriented towards mitigating their effects and ensuring food availability. Part of the state owned land was offered for production of basic agricultural crops, increasing the area and hence food supply. Also, financial support was given to farmers to compensate for the rise of prices of fertilizers. Additional attention was being paid by the government on the storage of grain and its running costs, including preferential electricity prices to the agri-food industry.

The funding allocated for structural and rural development measures (the second pillar) in Albania remains consistently above EUR 35 million in the period from 2020 to 2022 (Fig. 3). The majority of this funding is directed towards enhancing the competitiveness of farm and agricultural entrepreneurship. However, the portion of funding allocated to support the rural economy and its population is relatively low. Additionally, payments for environmental and social services are not yet available as part of this allocation. The rest of the funding (approximately EUR 12 million in 2022) includes other measures which has been increasing due to the inclusion of financing for food safety and funding for research and development, advisory and expert services in the budgetary expenditures of MARD.

Increasing the competitiveness continues to be the major structural support mechanism to farmers in North Macedonia (EUR 24.6 million in 2022 or 77%). North Macedonia is among the few countries that dedicate, albeit still modest, budgetary transfers to environmental and societal support and the support of rural economy and population (equally distributed with around EUR 3.7 million, Fig. 3). The budgetary transfers as general support to agriculture (EUR 14.93 million) are transfers aimed for veterinary and food quality control (as a budget of the Food and Veterinary Agency), as for the expert services for research and

development, vocational trainings, including the budget for the National Extension Agency, as well as for the budget of the National Hydro-meteorological office.

In summary, significant disparities in the levels of support between the two Western Balkan countries arise from differences in policy approaches, financial commitments, and institutional capabilities for monitoring the agricultural funding. In absolute terms, the total amount of North Macedonia’s agricultural budgetary support is still significantly higher than that of Albania (in average for the period 2013–2022, EUR 138 million annual budgetary transfers in North Macedonia, as compared to EUR 44.8 million in Albania, Table 1). However, despite Albania initially having a lower level of support, there are signs of convergence with North Macedonia’s trend (in 2022, the total allocated budget for Albanian agriculture was EUR 85 million and for North Macedonia it was EUR 154 million, respectively, Fig. 1).

Differences in the policy implementation approach exist also in terms of composition (Table 1). In North Macedonia, there is a strong emphasis on direct producer support, resembling the average EU-27 composition and the majority of the WB countries (Martinovska Stojcheska et al., 2021). In contrast, Albanian policymakers have faced challenges in promoting direct support due to their historical focus on structural measures, primarily centered on enhancing competitiveness through farm investments. Additionally, the capacity to effectively monitor transfers to farmers has been relatively low in Albania. What is still effectually lacking in both countries, is strong budgetary support to measures ensuring sustainable management of natural resources, and climate action, as well as targeting balanced territorial development of rural economies and communities, including the creation and maintenance of employment in rural areas.

A more meaningful comparison on the budgetary support in Albania and North Macedonia can be made by using indicators that share common metrics, such as support per unit of agricultural land, utilized agricultural area, or per capita (Table 2). When considering such indicators, the disparities in agricultural support become comparable, and the more substantial support dedicated to agriculture in North Macedonia becomes more apparent, either when

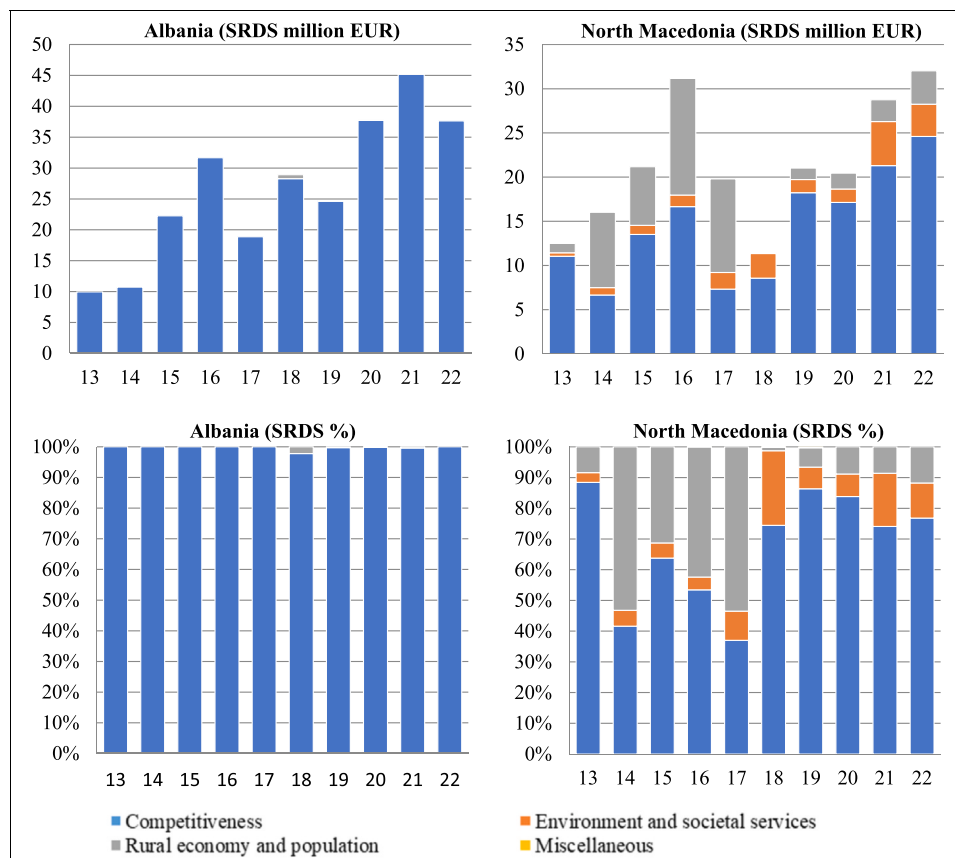


Fig. 3. Structural and rural development support measures (SRDS) in Albania (left) and North Macedonia (right), in value and shares. Source: AL, 2023, MK, 2023.

analyzed on per hectare, per holding, or per capita basis. However, the growth rates of budgetary support indicators in Albania show three-fold increase than those of North Macedonia over the past decade; for instance, while the share of the budgetary support in North Macedonia through the prism of the total agricultural GVA remained stable with an average of around 15% share, in Albania it has substantially increased from 1.1% in 2013 to 3.2% in 2022.

Conclusions and recommendations

The agricultural sector holds a pivotal role in maintaining the social and economic fabric of the rural areas in Western Balkan (WB) countries. Nevertheless, it confronts various challenges, including slow productivity growth, high unemployment rates, limited access to resources, and susceptibility to external shocks, such as climate change. The significant migration from rural areas in both countries calls for immediate expansion of support related to rural development. Developing agricultural policies becomes paramount to bolster productivity, efficiency, and compliance with standards,

particularly in the context of EU integration. These policies should strive to modernize the sector, foster the exchange of knowledge, and address structural issues like land fragmentation and weak value chains.

Since more than two decades, the primary political objective for WB countries, including Albania and North Macedonia, is to secure EU accession. A significant component of this accession process involves aligning with the EU Common Agricultural Policy (CAP). This intricate negotiation entails adhering to EU agricultural standards, enhancing competitiveness, and improving overall performance. Beyond just alignment, it is also driving institutional reforms and accountability, as it necessitates legal and institutional harmonization with EU pre-accession support requirements.

Across all WB countries, there has been a noticeable upsurge in budgetary support for the agricultural sector. The disparity in levels of support between the two analyzed Western Balkan countries arises from differences in policy approaches, financial commitments, and institutional capacities for monitoring agricultural funding. For instance, North Macedonia's total agricultural budgetary support exceeds that of Albania by threefold. Nevertheless, Albania,

Table 1

Budgetary support to agriculture by APMC groups, comparison Albania and North Macedonia (million EUR).

	Albania		North Macedonia	
	2013–2022	Share	2013–2022	Share
MARKET&DIRECT PRODUCER SUPPORT MEASURES	8.6	19.1%	104.7	75.8%
Market support measures	0.0		0.4	
Direct producer support measures	8.6		104.3	
STRUCTURAL&RURAL DEVELOPMENT MEASURES	26.8	59.8%	21.4	15.5%
Improving the competitiveness of agro-food sector	26.7		14.4	
Providing environmental and societal benefits	0.0		2.0	
Supporting rural economy and population	0.1		5.0	
OTHER MEASURES RELATED TO AGRICULTURE	9.4	21.1%	11.9	8.6%
TOTAL BUDGETARY SUPPORT TO AGRICULTURE	44.8	100.0%	138.0	100.0%

Source: MK, 2023; AL, 2023

Table 2

Selected indicators derived upon the total budgetary support, comparison Albania and North Macedonia (million EUR).

	Albania		North Macedonia	
	2013–2022	2022/2013 = 100	2013–2022	2022/ 2013 = 100
Total budgetary support per ha agricultural land	38.2	436.2	109.3	140.9
Total budgetary support per ha UAA*	17.0	/	410.6	/
Total budgetary support per agricultural holding*	72.2	/	739.3	/
Total budgetary support per inhabitant	15.7	443.3	68.6	158.5
Total budgetary support as share of agricultural GVA	1.9%	303.3	15.6%	108.2

Note: *Last data available for 2016 from Farm Structural Survey in North Macedonia (SSO, 2017); Last data available for 2013 in Albania (INSTAT, 2023)

despite its initial lower level of support, is displaying signs of convergence with North Macedonia. Nevertheless, it is worth emphasizing that in both countries, the policy still falls short in adequately addressing all the sector's challenges, particularly those related to rural development and climate change mitigation and adaptation. The EU support channeled through the IPARD program plays an increasingly important role in injecting funds targeting the rural development, but also in practicing for better and effective future use of the CAP funds upon accession. In that sense, the still small share of IPARD funds into the total budgetary support (3% in North Macedonia and 12% in average in Albania), has more evident effects in the preparatory function of the administrative, institutional and beneficiary readiness towards the EU-like scheme administration, rather than the direct investments amount in the sector.

Differences also manifest in terms of composition. North Macedonia places a strong emphasis on direct producer support, much like the average structure in EU-27 and most of the other WB countries. North Macedonia keeps increasing financing in both pillars, with market and direct support measures taking precedence. Structural and rural development measures constitute the second most utilized form of support, where environmental related payments mostly linked to organic production are included, albeit being still modest in comparison to those dedicated in EU countries. In contrast, Albanian policymakers have faced challenges in promoting direct support due to their historical focus on structural measures aimed at enhancing competitiveness through farm investments. Direct support in Albania was traditionally structured around headage payments for the livestock sector. Most funding is spent on competitiveness, while funding allocated to support the rural economy and its population remains relatively low. Given the fact that high migration is becoming a social but also an economic challenge for keeping the labor force available, there is a need for higher support in order to allow farm generational renewal and vibrant rural areas. Focus to youth and women as well as support as a remedy of the long lasting neglected demand for environmental and community services is required. These interventions would encourage a redistribution of support effect but also unlock other potentials for the agricultural and rural development given new trends of feminisation and slow intergenerational transfer of activities in some areas of the country (Zhllima et al., 2021b). Notably, both countries lack strong budgetary support for measures that ensure sustainable management of natural resources and climate action, as well as measures targeting balanced territorial development of rural economies and communities. The new challenges related to climate change urge both countries to use the existing budgetary resources and to move beyond the simple sectoral approach.

The limited capacity to effectively monitor transfers to farmers has further hindered the allocation of agricultural support in Albania. The absence of an Integrated Administration and Control System (IACS) has led to the lack of decoupled payments, as advocated by the Common Agricultural Policy (CAP). Additionally, this absence has raised concerns regarding the monitoring and control of the implementation of recent measures (EC, 2022a). In contrast, North Macedonia already has all the necessary elements in place for IACS, although the quality of data in some segments, such as the Farm Register, is still not fully satisfactory. Institutional support to monitoring should be on the focus of programming considering the importance for the development and alignment with the EU CAP.

Both Albania and North Macedonia, along with the entire WB region, should intensify, but also better target their support for agriculture and rural

development, to attain alignment with the EU. A more robust focus should be placed on strengthening institutional capacities and implementing effective monitoring systems. While WB countries, including Albania and North Macedonia, have established institutional frameworks for policy design and implementation, there is a clear need to fortify these structures with adequate human resources and functional capabilities to effectively enact policies aligned with the EU CAP-like policy cycle. Endeavors to augment policy frameworks, institutional capacities, and agricultural productivity will be pivotal in achieving alignment with EU standards and realizing EU accession aspirations.

Declaration of Competing Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Acknowledgements

Authors are thankful to the support provided by Bundesministerium für Bildung und Forschung (BMBF) through the project “Sustainable agri-food value chains in the Western Balkans” and for the support provided by Hochschule Rhein-Waal.

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