



## **Weekly Briefing**

**Albania economy briefing:**  
**Funding in agriculture: the needs, the narrative, the reality**  
**Marsela Musabelliu**

### **China-CEE Institute**

Kiadó: Kína-KKE Intézet Nonprofit Kft.

Szerkesztésért felelős személy: Ju Weiwei

Kiadásért felelős személy: Feng Zhongping

 1052 Budapest Petőfi Sándor utca 11.

 +36 1 5858 690

 [office@china-cee.eu](mailto:office@china-cee.eu)

 [china-cee.eu](http://china-cee.eu)

# **Funding in agriculture: the needs, the narrative, the reality**

## **Summary**

*Farming and working in agriculture are generally challenging, but the burdens multiply in developing countries. The recent crises hit them hard since prices of agricultural input have increased exponentially in a sector that was already low in productivity. The needs of the ones whose livelihood depends on agriculture are known and accepted. National and international support in the form of grants, aid, loans, and more are present in Albania, however, the difficulties seem to be only increasing.*

*A recent case of misuse of European Union funding for local farmers reignited the debate in Albania about the crucial need for reform and support for this sector.*

## **Introduction**

Albania relies heavily on agriculture, which accounts for a significant portion of the country's economy. Despite improvements throughout the past decades, agriculture faces numerous challenges, particularly in infrastructure rehabilitation and modernization. But most of all, this area needs funding and outside support. In order to boost agricultural production there is a necessity to provide direct financial support to farmers and facilitate private investment. To that end, there are several national and international programs in place and on paper, however in reality there is very little achieved.

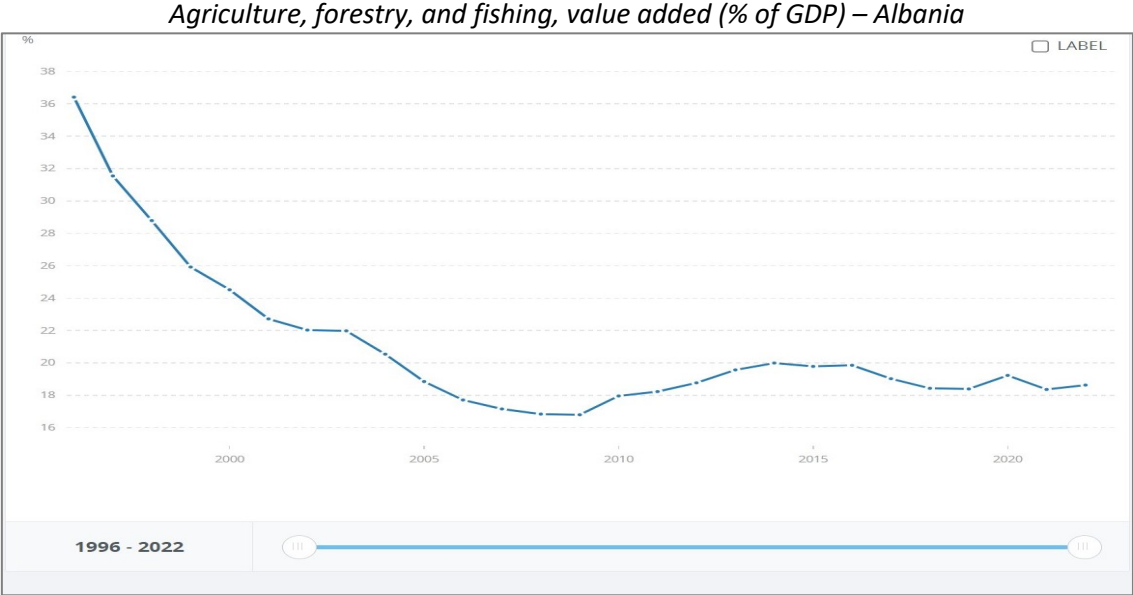
## **An overview of Albania's agriculture sector**

Agriculture remains one of the largest and most important sectors and Albania has a total land area of 28,750 square kilometers, of which 24% is agricultural, 36% forest, and 15% pasture or other type of land.<sup>1</sup> The sector employs about 36.4% of the overall workforce, but some estimations go also above 40% (because of the informal nature of the sector, many work but are not registered as farmers, shepherds, etc.) Currently, the industry is dominated by small local producers with an average farm size of 1.2 hectares. Still, the number of enterprises

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<sup>1</sup> Agricultural Sector (AGR), Albania overview. <https://www.trade.gov/country-commercial-guides/albania-agricultural-sector-agr>

operating in agro-business has not changed significantly during the past years.<sup>2</sup> Compared to other countries in the European Union (EU), where the agriculture sector represents around 2% of the Gross Domestic Product (GDP), this sector in Albania represents 18.6% of the GDP (2022), according to the latest data available from the World Bank.



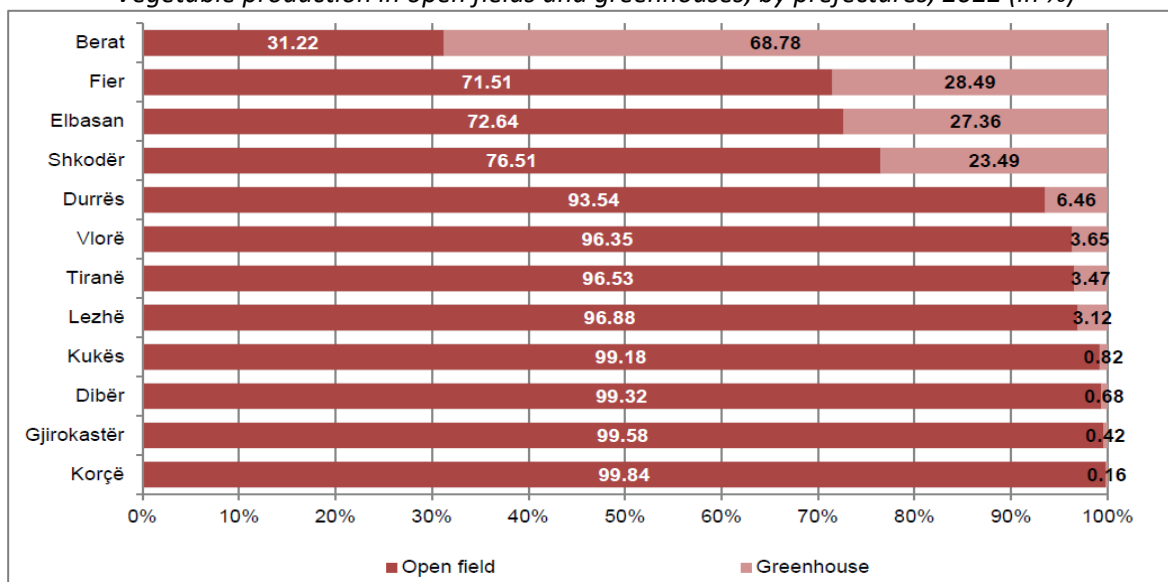
Source: World Bank<sup>3</sup>

Due to mass migration, particularly among the youth, the farming industry has experienced a decline in its share and has undergone significant changes in its core characteristics over the years. Despite these changes, farmers still face difficulties in sustaining their livelihoods due to the absence of greenhouses and inadequate funding. The country has very few prefectures with a decent percentage of greenhouses, as shown in the table below.

<sup>2</sup> Invest in Agriculture in Albania. <https://invest-in-albania.org/industries/agriculture/>

<sup>3</sup> Agriculture, forestry, and fishing, value added (% of GDP) – Albania. World Bank national accounts data, and OECD National Accounts data files. <https://data.worldbank.org/indicator/NV.AGR.TOTL.ZS?contextual=default&end=2022&locations=AL&start=1996&view=chart>

Vegetable production in open fields and greenhouses, by prefectures, 2022 (in %)



Source: INSTAT<sup>4</sup>

### EU funding for agriculture

Non-EU member states benefit from the instrument for pre-accession assistance (IPA), which is a support program for countries on their path to joining the EU. A sub-division of IPA is also the instrument for pre-accession assistance for rural development (IPARD) that focuses on rural areas and the agri-food sectors of countries in the process of joining the union. The EU offers financial and technical assistance to Albania, Montenegro, North Macedonia, Serbia, and Turkey. The goal is to make their agricultural sector and rural areas more sustainable and align them with the EU's common agricultural policy. For the period 2014-20, IPARD had a budget of 946 million euros (€) from the EU budget. In addition, each country also contributes to the budget through national public funding.<sup>5</sup>

<sup>4</sup> Agriculture Statistical Yearbook, 2022, Statistical database. <https://www.instat.gov.al/en/themes/agriculture-and-fishery/agriculture/#tab2>

<sup>5</sup> Overview of EU pre-accession assistance for rural development (IPARD) II – 2014-20. [https://agriculture.ec.europa.eu/international/international-cooperation/enlargement/pre-accession-assistance/ipard-ii/overview\\_en](https://agriculture.ec.europa.eu/international/international-cooperation/enlargement/pre-accession-assistance/ipard-ii/overview_en)

*IPARD Indicative budget as initially planned in 2014 (amounts in Million EUR)*

	2014	2015	2016	2017	2018	2019	2020	Total
All countries	74	94	112	203	211	227	233	1154
Albania	0	0	13	14	12	16	16	71
Montenegro	0	5	5	6	7	8	8	39
North Macedonia	5	5	5	6	10	14	15	60
Serbia	0	15	20	25	30	40	45	175
Turkey	69	69	69	148	148	149	149	801

*Source: European Commission*

The IPARD II, as per the table above, aims to support rural and agri-food reforms and in this context, Albania received 71 million € from this program between 2014 and 2020. In 2021, IPARD III was launched with 112 million € earmarked for the country to further support its rural development.

### **Albanian authorities under investigation**

The responsibility of auditing the funds allocated to European Union member states and other recipient countries lies with the European Anti-Fraud Office (OLAF). OLAF has initiated 36 investigations into the Western Balkan nations in the last five years. By the end of July 2023, OLAF had gained wide attention in Albania after news of the blocking of the disbursement of IPARD funds.

OLAF has launched an investigation concerning suspected irregularities in spending. The European Commission has taken precautionary measures based on preliminary information provided by OLAF. In particular, as a preventive measure to protect the financial interests of the EU, the European Commission has provisionally interrupted the reimbursements to the Albanian authorities for expenditure incurred under the IPARD II program. The European Commission did not comment on any possible findings by OLAF but said that Albanian authorities will be informed after the anti-fraud office submits a final report. It is worth mentioning that an OLAF investigation may not always lead to identifying the responsible parties. In some instances, an investigation may be concluded without identifying the culprits, resulting in the recipient country having to return the misused funds. However, when there is clear evidence of wrongdoing, the case files are forwarded to the appropriate law enforcement

agencies in the respective countries to initiate criminal investigations.<sup>6</sup> Local media reported that the Albanian government had received an official letter from the EU's Directorate-General for Agriculture and Rural Development citing significant deficiencies in the functioning of the Albanian control system for the implementation of EU expenditure under the IPARD II program as the motivation behind the interruption.<sup>7</sup>

In its initial public response, the Ministry of Agriculture stated this week that the IPARD funds have not been canceled, and the support continues as usual. The ministry clarified that Albanian authorities have been informed about the suspension of a current reimbursement claim for a part of the next expenses. In August, Minister of Agriculture and Rural Development Frida Krifca stated that the temporary freeze of funds pending investigation results is a normal practice of the EU.

### **A minister dismissed, ARDA, and the controversy**

During the early days of September 2023, the Prime Minister conducted a reshuffle of ministers in his cabinet, which resulted in the removal of the Minister of Agriculture from office. This development brought the spotlight to the Agricultural and Rural Development Agency (ARDA). A few days following this, a minor opposition party alerted the Special Anti-Corruption Structure (SPAK) of the alleged misappropriation of EU funds under the management of former minister Frida Krifca and ARDA leaders. As an accredited institution for administering EU funds, ARDA should promote sustainable agriculture and diversify the rural economy. In theory, ARDA supports food sector entrepreneurs, prepares the institution to receive EU budget funds, and focuses on restructuring, modernizing, and specializing in specific products and markets, which capitalize on the country's competitive advantages.<sup>8</sup> The minister dismissed (Krifca) was not a minister during the timeframe of the EU investigation, but she was the director of ARDA, the only one responsible for the management of the 71 million €. Allegations about her and her office employees for corrupt practices were made public, but no legal proceedings took place. On the contrary, she was made a minister.

By the end of July 2023, when the public became aware of the situation, Krifca argued that these are normal EU procedures where there is a need to verify expenses suspected of

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<sup>6</sup> Audit of European funds for agriculture, 36 investigations in the Western Balkans.

<https://euronews.com/en/audit-of-european-funds-for-agriculture-36-investigations-in-the-western-balkans/>

<sup>7</sup> EU suspends IPARD II payments to Albania amid irregularities probe. <https://seenews.com/news/eu-suspends-ipard-ii-payments-to-albania-amid-irregularities-probe-829190>

<sup>8</sup> Background of ARDA. <https://azhbr.gov.al/en/about-us/>

activity not conforming to the established rules. Indeed, she went further in stating that the results of these EU funds are tangible because of the extraordinary “joint work with farmers and agro-processors as well as the employees of the structures in Albania and Brussels” and it should not become an object of political consumption.<sup>9</sup> However, the fact that her boss (Rama) dismissed her is being commented as a high possibility of her implication in the corrupt practices that the EU mentions.

### **Asking for refunds (?)**

Due to the scandal of abuses of the IPARD program, the ARDA has been forced to demand the return of funds from several businesses. For months, it has sent letters to dozens of businesses that have received IPARD grants, asking them to return the funds. Initially, they requested the return of funds from about 10 businesses, two of which were connected to a couple of politicians. However, in recent weeks, the number of businesses that have been asked to return funds for abuse or breach of contract has significantly increased. This has led to another potential conflict. Some of the businesses have paid bribes to intermediaries and/or directly to ARDA officials to benefit from the grants. These businesses are now asking for the same bribes back to the brokers and officials. This situation is extremely complicated because of corruption and illegality that could lead to conflicts, as those who take bribes usually do not return them. Government officials seem to be trying to escape criminal responsibility by demanding the return of funds. Despite this, the Albanian prosecutor's office has failed to hold anyone responsible, which has further contributed to the issue.<sup>10</sup>

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<sup>9</sup>Albanian agri ministry calls for non-politicization of EU funds ‘interruption’  
<https://www.euractiv.com/section/politics/news/albanian-agri-ministry-calls-for-non-politicisation-of-eu-funds-interruption/>

<sup>10</sup> The scandal of the IPARD/ ARDA funds requires dozens of businesses to return the money.  
<https://www.oligarkia.al/skandali-i-fondeve-ipard-azhbr-u-kerkon-dhjetra-bizneseve-te-kthejne-parate/>

## **Conclusion**

The Albanian agriculture sector and the people working in it have perhaps the most difficult reality of all. Even when there is some type of development, it is unorganized due to the high fragmentation of the land and the lack of central support. The lack of decent working conditions, hardships of working in the open air, lack of technical support, the rise of prices in fertilizers, and scarcity of funding, have made the rural reality of the country unbearable and helpless. As the events of this briefing demonstrate, even when some funding comes from the EU, it is not channeled to the ones in need, but to the ones in power.