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Research Article

Investigation into the Pattern and Dynamics of the Albanian Agricultural Public Budget

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Abstract

This study aims at identifying and assessing the pattern and the dynamics of the public agricultural budget during the last 16 years in Albania. The data used are those of the public budget of agriculture for the period 2005-2020. The methods we use are mainly descriptive and exploratory statistical methods, such as graphical representation and correlation. The analysis shows that the pattern of the public agricultural budget in Albania is characterized by low levels and significantly insufficient budget increases, even lower than relative GDP or GAP increases, as well as significant fluctuations over years. Based on the analysis results, we conclude that agriculture isn't a real priority development sector. Seen in its structure, some important budget programs such as investments for irrigation and drainage system, direct support for farmers, extension, information and research but not only, don't receive enough attention and aren't seen as priorities, while for years they show declining trends or are incredibly shaky. The ministry responsible for agriculture has failed to effectively support medium- to long-term strategic objectives in terms of budget allocations. Some time because of these failures, the gaps between real budget allocations and strategic objectives reach up to 30 percent. The study also contributes to some recommendations or lessons to be learned in order to have a higher and more effective public agricultural budget in the future.

Key Words: agriculture, agricultural policy, budget, dynamics, graph, state support

JEL Codes: G18, G31, H41, H51, H61, O13

Introduction

Public financial support is important for agricultural development. In addition to the indisputable role of private agricultural business the public support through the budget allocated by the government each year for the agricultural sector through the ministry

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responsible for agricultural and rural development has consistently played an essential role.

The public support is composed of two important components, support through the national budget which has as its main source local taxes and fees, as well as support through foreign financing in the form of loans, projects, grants, or various foreign assistance programs.

The problem

The amount of public budget support and its efficiency are perhaps the most critical aspects related to agricultural sector budgeting that require continuous and objective study and analysis. In this regard, a fundamental issue of analysis and debate would be that on the adequacy of budget support to the agricultural sector as a whole and the effectiveness of its execution.

As literature has evidenced, inadequate or missing policies have caused some countries to get stuck in what is called the "poverty trap". This has to do with the fact that although many countries start from similar development conditions and situations, some achieve sustainable development and accumulation while others get stuck in the poverty trap: little investment, low productivity, high poverty, and again from the beginning (Barret and Swallow, 2005).

But analysis and debate can and should go even further. It's important that this debate focuses on the support of agriculture in comparison with the economic growth of the country and its dynamics. The debate and analysis should also be related to the way the budget is structured in several budgetary programs as defined by the agricultural policy, as well as the dynamics of the specific components of the budget.

All this debate or investigation has ultimately to do with identifying or evaluating the place that agriculture occupies among the country's development priorities, how sufficient and effective is the relevant budget to meet the demands of the sector to guarantee solutions to problems dealing with increasing productivity and agricultural production, increasing quality and food safety of agricultural products, facilitating trade and increasing the competitiveness of agricultural products.

An equally important aspect of the debate and analysis is definitely the efficiency and effectiveness of budget expenditures and investments for agriculture.

The study purpose

In this study we aim to investigate and bring information or knowledge about the pattern and dynamics of the agricultural budget as a whole and its structural components, which helps at knowing the features and characteristics of this pattern or its dynamics both in terms of realization and in terms of short-term and strategic planning.

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Literature review

Agriculture has been and is, more or less, an important branch of every country's economy. The Chinese philosopher Lao Tze who lived in the sixth century BC said that in human governance and services to Heaven there is nothing more important than agriculture.

Coming to our times, empirical analysis shows that the growth of the agricultural sector not only affects the reduction of rural poverty but it also affects the reduction of urban poverty and even more effectively than industrial growth. The increase in agricultural income per worker leads to an increase in income for individuals across income groups. Not only that, but agricultural growth also reduces income inequalities and has effects on raising the poor above the poverty line without negatively impacting economic growth as a whole. Moreover, the literature emphasizes that around the world there is a growing agreement that the growth of the agricultural sector is a key to the growth of the entire economy (Norton, 2004).

In literature there are debates as to whether or not agriculture is a priority development sector. From the size of the budget that directly or indirectly serves agriculture, it can be understood whether or not it is a priority of government policy. According to Cafiero, direct support of agriculture benefits the whole economy, not only farmers, because poverty is reduced not only in rural areas but also in urban areas. This is because income in rural areas has a marginal (multiplier) effect on expenditures, and these expenditures in these areas are oriented towards local products (Cafiero, 1993). This serves as a strong argument for agriculture as a development priority.

Government spending, which includes the government's public budget for agriculture, is the main tool of agricultural policy (Norton, 2004). But the quality of public spending is often more important to address than its level.

The amount and the quality of the public budget for agriculture is a central issue in this debate. But the quantity and quality of public funds are determined by institutional, demographic, political, and economic factors. One of them is the quality of information. In the absence of information, public debates on agricultural policies are ineffective and can be manipulated by stakeholders.

As everywhere, in the field of agriculture, in principle, public spending should be made on goods and services that the market cannot produce or produces on a very limited scale. This is a condition for its allocative efficiency. That is why the policy should set priorities based on comparative advantage (Fozzard, 2001). But contrary to theory and economic logic, the choice of priorities in practice is often the result of interaction between politicians seeking votes and bureaucrats. Stakeholders and donors also influence resource allocation (Mogues, 2012).

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In order for the budget to be effective, i.e., to enable the achievement of the predetermined objectives, some important principles must be taken into account in the phase of its design, such as: the development needs should be met in a cost-effective and coherent manner; performance and evaluation must be an integral part of the budgeting process; budget debates should be inclusive, participatory and realistic; the budget should be in line with the medium-term strategic priorities (OECD, 2014).

It's also important that budgeting must be made not in terms of how much money is provided but in terms of what can be done with that money, i.e. the budget should be performance-oriented. This attitude provides more information on the extent to which objectives and priorities are achieved, and the obstacles to them, increases transparency, and helps to improve both public management and efficiency (Curristine et al., 2007).

The effectiveness and efficiency of the public budget depend proportionally on their transparency, accountability of public executives, and public participation. In reality, these are strong challenges for public finances. These challenges are influenced by the degree of access to information and the development of civil society, as well as the degree and effectiveness of mechanisms that enable public participation. To reduce these obstacles, it is important to draft relevant legislation and institutional arrangements for participation, access to real and timely information, factual and planned data, and eliminating uncertainties about who is responsible and for what. (OSI, 2006).

As the OECD points out, transparency means clarity, comprehensibility, security, accessibility, and a timely flow of information. Transparency to the budget means being open with the public on how the money was secured and how it was used. The participation of stakeholders that are related to agricultural development is also critical to building public confidence in budget transparency. Participatory budgeting is a good strategy to engage the public in budgeting and increase its transparency (OECD, 2019).

Budgeting approaches also play a critical role in this direction. Performance-based budgeting (PBB) is increasingly being used by developing countries to plan public spending at the central level. It plays a major role in increasing budget transparency. PBB is the budget that provides information on what budget enforcement agencies have done or will do with the money they have available. It is a budgeting system that links spending goals and objectives, with program costs and activities to achieve the objectives and outputs or services to be produced for each development program (UNCDF, 2006; WB, 2007b). As World Bank points out, if PBB has to be effective, the system for measuring performance and reporting must also be effective (WB, 2007b).

In the context of agricultural policy and budgeting, subsidies are often given an important role. Subsidies can be open, e.g. tax subsidies, or hidden as e.g. reductions in import tariffs. There is a wide debate in the literature regarding the need, consequently also regarding the positive and negative sides of subsidies; therefore, when they are used they should be discussed extensively in terms of their possible positive or negative

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effects. The main justification for subsidies is their opportunity to reduce the poverty of participants in subsidy schemes (Norton, 2004).

There is also a lot of criticism and opposing views on the role of subsidies. Some authors argue that subsidies can be considered external interventions (thus avoiding competition in the market). Therefore, they can affect market prices and bring about a reduction in economic well-being. Reducing prices through subsidies makes the adoption of new technologies more difficult because producers' ability to finance these technologies is reduced. In other cases, subsidies reduce economic growth because subsidies as resources aren't allocated to the most efficient options of use (Norton, 2004). But in some cases subsidies can be used as compensation for the lack of complete information.

There are other arguments against subsidies. For example, it's difficult to remove subsidies as they are placed because the political interests of certain parties who want votes can come into play, subsidies facilitate the survival of inefficient farms, often their beneficiaries aren't the poorest (generally smaller farms in the case of agriculture) but groups or farms with better incomes (Norton, 2004).

Because of the potential negative effects of subsidies, the World Bank calls for more agricultural investment and the use of "smart market" subsidies for seeds and chemical fertilizers (targeted, time-limited, and private market operating subsidies) (WB, 2008).

Sometimes subsidies are used to achieve social goals. The literature recommends that best way to meet short-term social objectives, e.g. the rapid reduction of poverty for certain groups, aren't subsidies but social policies, such as cash transfers, by defining at the same time some conditions for their beneficiaries (OECD, 2012).

Another widely discussed issue when it comes to the agricultural budget is that of agricultural research and extension. The World Bank emphasizes that investment in R&D and extension is critical (WB, 2008). The OECD also emphasizes that investments in agricultural research and rural infrastructure are paramount (OECD, 2012) if one wants to support small farmers with new technologies.

The extension service might be private or public. Public service in some countries it's been proven an inefficient service, not because it is such in itself, but due to lack of funds and qualified specialists. In addition to poor funding in developing countries, there is often a lack of adequate coordination between research and advisory services (FAO, 2009). But there exist very good examples of public extension and research in the world (for example USA and Japan). Many other countries privatized the service but later realized the shortcomings of the private service as an inefficient system (Chile) which later led to increasing funding and state-funded knowledge services.

From the Albanian literature, there are findings according to which communication between the government and Albanian farmers on budget issues or other issues of agricultural development is missing or ineffective (Kotorri, 2016).

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Agricultural extension in Albania should be considered as an important service. International institutions also emphasize that investments are needed for agricultural extension (WB, 2007a).

In a general context, during the transition several shortcomings were identified in Albania, in relation with the planning and management of public expenditures in agriculture, especially regarding the mechanisms of accountability, monitoring and evaluation, policy prioritization, allocation of resources to national priorities in order to increase effectiveness, etc. According to the World Bank, building appropriate mechanisms for accountability, monitoring, and evaluation are vital and prerequisites to further increase the budget as a whole and subsidies to farmers in particular, as well as to ensure the efficient allocation of public funds. In addition, transparency for investments needs to increase and competition for them needs to be more competitive (WB, 2007a). These assessments also have important implications for direct support schemes for farmers through budgetary or IPARD funds in Albania.

Important recommendations of international institutions emphasize that development programs should include measures that encourage farmers to make their own decisions about what investments to make because these measures are more efficient and less distorting than subsidies (WB, 2007a). This also has to do with the application of direct state support to farmers.

In Albania, the amount of public support for agriculture is considered insufficient and relatively low compared to other countries in the region or beyond. Another phenomenon that's commonly observed in the budget implementation process has been the concentration of public investment execution in the second half of the year, which may have negative effects on the efficiency of funds and the extent of their implementation versus planning and achievement. of budget objectives.

Data and Method

In the study, we used the annual budget data for agriculture and rural development from 2005 to 2020.

From the methodological point of view, we use descriptive and exploratory methods, such as statistical methods, graphical representations, and correlations to present, process, analyze data and their dynamics, as well as to interpret graphs and indicators used.

For complete knowledge of graphic presentation, reading, and interpretation of graphs and correlation indicators see (Osmani, 2015; Osmani, 2021; Keller, 2018).

Results

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Figure 1 indicates that the budget for agriculture has been increasing despite fluctuations over the years. The growth trend is approximately linear, more precisely it is a slight concave parabolic trend. The coefficient of determination is almost 83 percent and indicates that this trend is relatively stable, which means that the budget increase has not been fully stable, or control over its size may not have been complete, in one or both aspects of planning or implementation.

In the 16 years of the period 2005-2020, in total the budget has increased by about 70 percent or on average by about 3.6 percent per year, not counting the fluctuations up and down. This does not seem to be a significant increase, especially considering that the value of money in 2020 is not the same as the value of money in 2005.

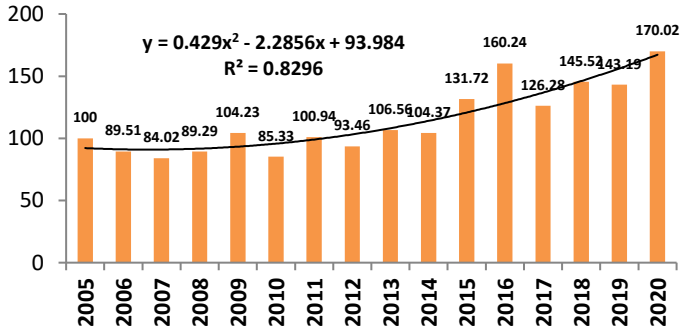

Figure1. Dynamics of the agriculture budget (Year 2005=100 percent)

Source: MARD, Author's calculations

Figure 2 below provides the opportunity to better judge the increase in the budget for agriculture. We note that the increase in the agricultural budget has not followed the increase in GDP nor in GAP; it is generally lower, with the exception of the year 2016 when we had a larger budget increase than GDP or GAP increase.

In the period 2005-2008, both GAP and GDP increased nominally almost equally, by about 4.7 percent per year (INSTAT). This gives us the right to say that agriculture has not received a budget even in proportion to economic growth (nominal, as long as the budget is nominal). The largest differences were in the period 2010-2014 and the smallest in the period 2005-2009. The degree of fit between the budget and GDP is 48 percent while with GAP it is 56 percent.

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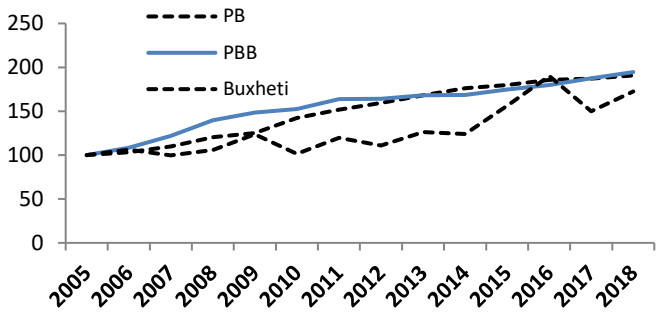

Figure 2. Increases of GAP, GDP and the budget (Year 2005=100 percent)

Source: MARD, Author's calculations

Table 1 shows that there is a significant correlation model between budget growth and GDP growth, which confirms once again that the time dynamics of these indicators are interrelated or interdependent to some extent. But the fact that R^2 is quite small (63.5 percent) indicates that this relationship is weak-other factors such as the lack of attention to the agricultural sector or considerations for it as a non-priority sector, have made these dynamics unrelated to a considerable extent.

Table 1. The public agriculture budget vs GDP)

	Coefficient	Std. Error	t-ratio	p-value	Significance level
const	1.566360	0.2934760	5.337	0.0002	***
PBB	-0.016523	0.0041025	-4.028	0.0020	***
sq_PBB	0.000054	0.0000139	3.851	0.0027	***

Note: (***) means significant at the level of significance 0.01

R^2	**0.635**	S.E. of regression	0.0393
F(2, 11)	9.584	P-value(F)	0.0039

Figure 3 shows the dynamics of the proportion of the agriculture budget to GDP. This dynamic has the form of a concave quadratic parabola. From 2005 to 2012-2013 the dynamic was characterized by a clear decline, albeit with a declining speed, of the budget-GDP ratio to be restored later and reaches a peak in 2016, starting the decline again after 2016. Plan of 2020 shows a regain of the rapid positive trend, but it remains to be seen the actual realization of the budget for this year. Again, the coefficient of determination, this time lower by almost 59 percent indicates that care to give agriculture a budget in line with GDP growth has been low, differently said the budget for

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agriculture has not been seen in relation to the dynamics of GDP, which may be again an indication that agriculture is not a priority sector.

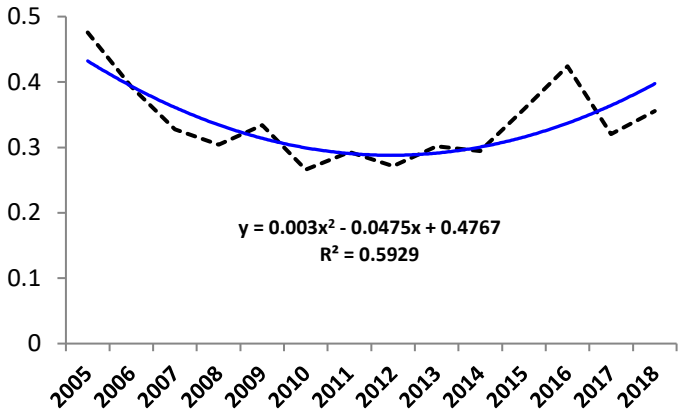

Figure 3. Dynamics of the budget as a percentage against GDP)

Source: MARD, Author's calculations

From figure 4 below we can discover two phenomena. First, investments in rural development until 2014 showed a relatively rapid downward trend (excluding 2013) and then began to grow quite rapidly. Second, the increase in investment in rural development has always been smaller than the increase in the budget as a whole, and for many years the differences between the increases in these indicators are significant. Overall, the determination coefficient between budget dynamics and rural investment dynamics is about 64 percent.

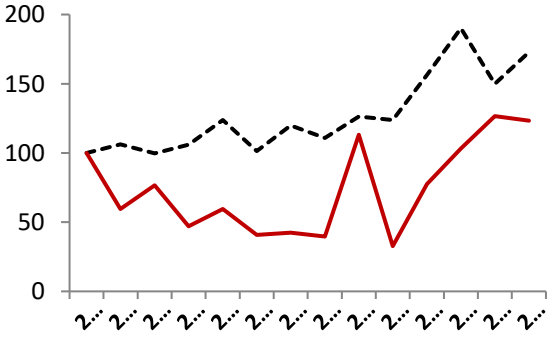

Figure 4. Dynamics of the total budget and rural investment (Year 2005=100 percent), (----- budget, ——rural investment)

Source: MARD, Author's calculations

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Figure 5 below illuminates the dynamics of investments in the field of irrigation and drainage. We find that until 2014 investments had a generally downward and relatively relativistic trend (excluding 2011). From 2014 on, investments for irrigation and drainage have a very fast positive trend (with a significant increase, especially in 2016) and in 2020 (although for 2020 we have presented the planned investments and it is not known how much they will actually be realized). Overall, after 2014 investments in irrigation have been much higher than investments made in the period before 2014.

In relation to the support of the rehabilitation of the irrigation and drainage system, there is a significant shortcoming in the period 2005-2014 when it is known how critical are investments in this area given the problems with irrigation and drainage and their major effects on land productivity and efficiency of agricultural inputs. Therefore, we estimate that in the relative absence of foreign investments, the budget should have supported a more stable and complete rehabilitation of the irrigation and drainage system.

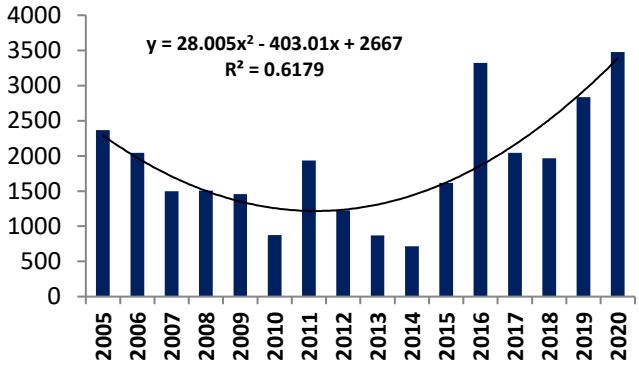

Figure 5. Dynamics of the budget for Irrigation & Drainage

Source: MARD, Author's calculations

Figure 6 clarifies the situation regarding state support for irrigation and drainage. Throughout the study period support for the irrigation and drainage sector has generally increased more slowly than the agricultural budget. There are even whole periods when the increases are in the opposite direction; in these periods, although the budget of agriculture generally increases, the part related to irrigation and drainage shows a decreasing trend. The overall correlation between budget dynamics and irrigation and drainage is only 57 percent (coefficient of determination). The oscillations in support of the latter are quite large, which may have been associated with additional negative effects on irrigation, and drainage of agricultural land, system maintenance in general, etc.

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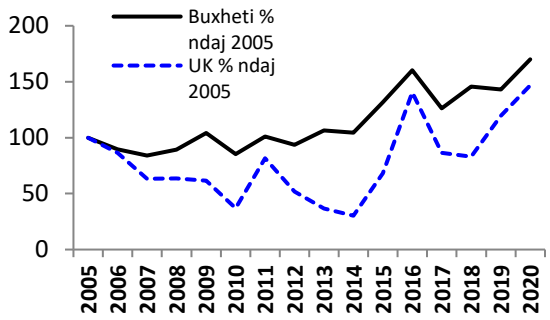

Figure 6. Dynamics of the total budget and investment for Irrigation& drainage (as a percentage against 2005)

Source: MARD, Author's calculations

Since 2007, MARD (at that time MAFCP) began to directly support the agricultural sector through grants to farmers. This was a new development in the field of agricultural policy and agricultural development in Albania. Support initially went mostly to the fruit and vegetable sector, later to livestock and other sub-sectors or areas.

Direct support to farmers has increased over time. From 2006 to 2013, the average annual growth was 8.7 percent. From 2013 to 2020 (as of plan figures) growth has occurred at 12 percent per year. The amount given for the last seven years is 25 percent higher than the amount given until 2013 (included).

Direct state support from 3.2 million Euros in 2007 amounted to 7.3 million Euros in 2012 and 18 million Euros in 2014 (DCM, 2014). In the period 2007-2012 40 million Euros were spent; only in 2013 6.5 million Euros were spent; in the years 2013-2020, 110 million Euros were spent or are expected to be spent. In 2020 alone, 27 million Euros are expected to be spent (Frida Krifca, Director of ARDA, 14.10.2020)

Figure 7 reveals some phenomena related to direct government support. Overall, the increase in the state support budget in relative terms has been greater and has grown faster than the agricultural budget as a whole, and this is a positive event. The exceptions are the years 2006, 2007, and 2017. The increase in the state support budget has occurred with many large fluctuations, which implies an unsustainable support policy. The overall proven trend of support is positive but rapidly declining. However, overall the correlations between the two dynamics are very small; only 1.8 percent.

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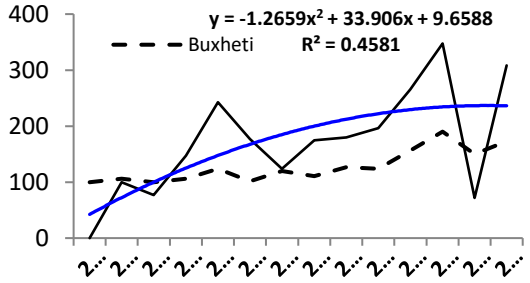

Figure 7. Dynamics of the budget for support schemes (2005=100 percent)

Source: MARD, Author's calculations

Direct support to agriculture is considered low. In Kosovo, with an area of used agricultural land (excluding meadows and pastures) of almost 200 thousand ha (about 40-45 percent of that of Albania), for the period 2014-2018, direct support has been about 24 million Euros per year (MAFRD, 2018).

The agriculture of the European Union has been heavily subsidized and accounts for about 40 percent of the EU budget. In Albania, the local government has also contributed little with investments in agriculture (Kotorri et al., 2016).

Interaction between farmers and state institutions could better outline farmers' needs, their extent, priorities, and ways of support. But there are estimates that the interaction between farmers and institutions does not exist (Kotorri et al., 2016). As we have assessed above, this is an important factor that would affect the success not only of the state support program for farmers but also of all agricultural budget programs.

FAO estimates that there are many problems in the application process for support from farmers, such as the criteria set for the NIPT and the farmer card, problems with the farmers' register (incomplete), lack of title deeds, distrust in the benefits of the schemes, requests to pay health and social insurance from farmers, difficulties in building permits, a long list of application documents, etc. (FAO, 2018).

One of the active programs of the agricultural budget is agricultural advisory services or agricultural extension, information, and research. For the period 2005-2013 from this program are spent about 700 ALL / farm per year, while for the period 2013-2020 about 800 ALL / farm per year.

The dynamics of the budget for research, information, and advice (RIA) is more or less parabolic, with a kind of downward trend until 2015 and increasing afterward (Figure 8 Fluctuations around the trend are, large especially in the years 206, 2007, and 2016-2018.

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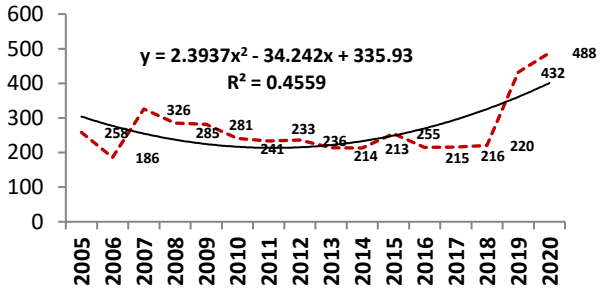

Figure 8. Dynamics of the budget for RIA

Source: MARD, Author's calculations

The dynamics of change in RIA have not followed at all the dynamics of agricultural budget growth- in the last two years the two dynamics are similar, where the budget increase for RIA is better approximated to the increase of the agriculture budget. The correlation between the two dynamics is only 14 percent (Figure 9).

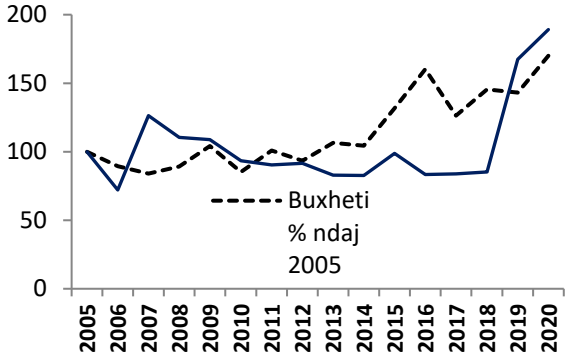

Figure 9. Dynamics of the total budget and RIA budget (2005=100 percent)

Source: MARD, Author's calculations

Investments are undoubtedly the most important component of the budget. Figure10, shows that domestic investments until 2010 have had a negative trend and they started growing after 2010, although not without fluctuations. Foreign public investment until 2013 was generally declining and growing steadily after 2013, although even these fluctuate. After 2013, the increase in investments generally follows the trend of increasing the agricultural budget despite the fluctuations. However, real investment growth given the trend of money depreciation over the years is lower than it looks from the graphs. In general, the correlation between the dynamics of the budget and that of foreign investments is only 7 percent, while domestic investments only 4 percent.

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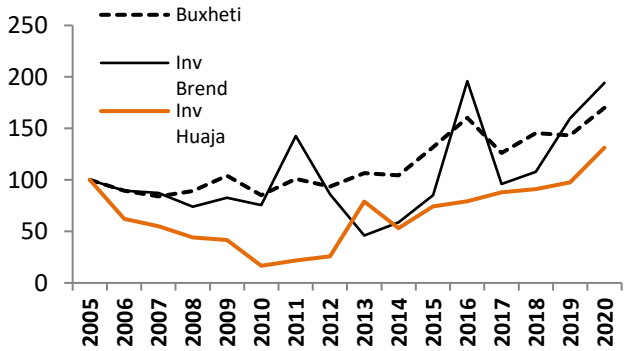

Figure 10. Dynamics of the total budget and investment

Source: MARD, Author's calculations

A separate analysis could be performed on the structural dynamics of some of the key budget components compared to the dynamics of the budget as a whole.

Figure 11 shows how the share of salary and operating expenses has changed over the years. Operating expenses generally increase until 2015 and then their weight decreases despite the budget increasing. Wage spending increased until 2010, but then their trend is generally down despite the budget increase. We consider these to be good changes. In general, the correlation between the budget dynamics and the salary dynamics is 26 percent, while with the operating expenditure dynamics only 2 percent.

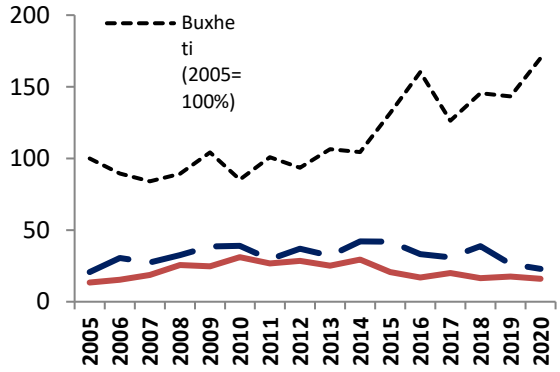

Figure 11. Dynamics of the total budget and the share of salaries and operating costs

Source: MARD, Author's calculations

Foreign investment until 2009-2010 was significantly and steadily declining; then it started growing but at a slow pace and with frequent fluctuations. Domestic investment can be considered stagnant, with the exception of some ups and downs in the period

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2011-2016. It seems that foreign investment has not followed the upward trend of the budget, especially after 2010. Overall, the correlation between the dynamics of the budget and the dynamics of the weight of foreign investment is 66 percent, while the correlation with the dynamics of the weight of domestic investment is 17 percent.

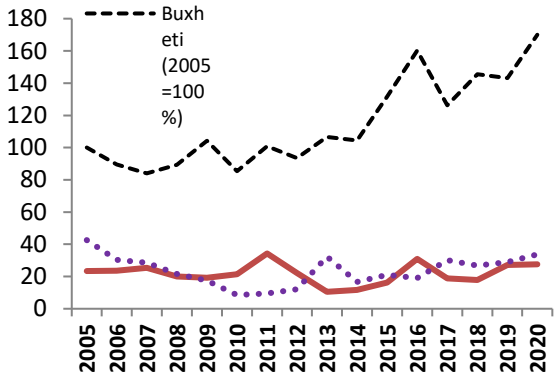

Figure 12. Dynamics of the total budget and the share of investment

Source: MARD, Author's calculations

Figure 13 shows that weight of the food safety budget has a slight upward trend until 2014 and then it is characterized by a mild downward trend. This weight has not followed the upward trend of budget expenditures as a whole.

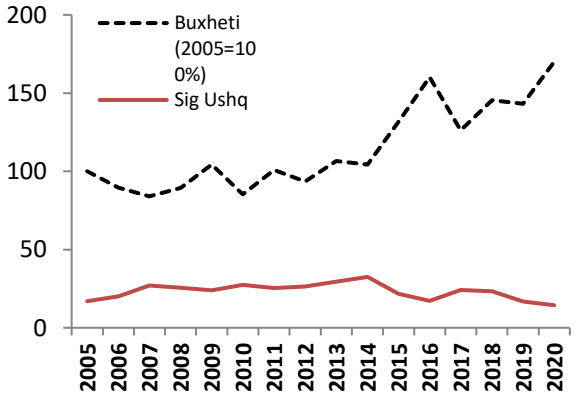

Figure 13. Dynamics of the total budget and the share of food safety budget

Source: MARD, Author's calculations

Irrigation and drainage occupy a priority place in the agriculture budget. It seems that there has not always been enough money to rehabilitate the system; however, by 2013

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the weight of this program in the agriculture budget has been declining. Then there is a slight growth but with noticeable fluctuations. The correlation between budget dynamics and the weight of investments for irrigation and drainage is 57 percent.

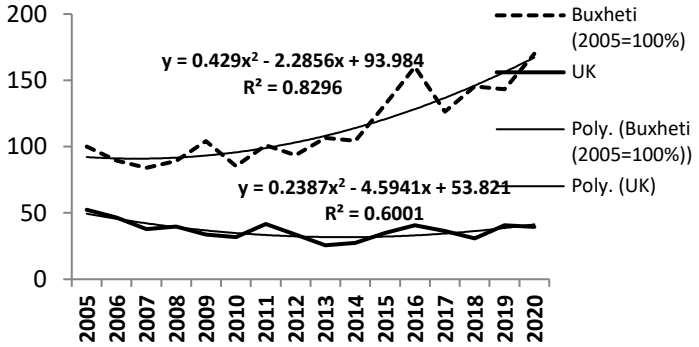

Figure 14. Dynamics of the total budget and the share of irrigation & drainage

Source: MARD, Author's calculations

Rural development as a whole presents a positive dynamic, and it is slight and relatively stable, however smoother than the budget dynamics as a whole. The budget weight of the direct support schemes presents a generally positive but slight dynamics until 2016 (with a significant peak in 2009) and then it is characterized by strong declines and increases. In general, the correlation between budget dynamics and the weight of rural development dynamics is 64 percent, while the correlation with the dynamics of the weight of schemes is only 30 percent.

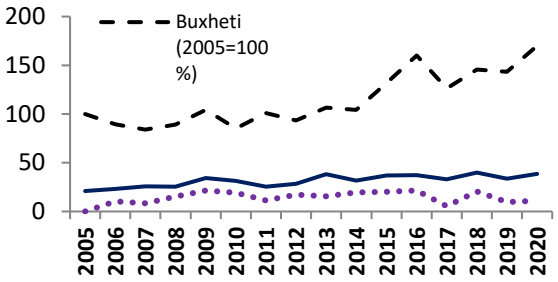

Figure15. Dynamics of the total budget and the share of rural development and support schemes

Source: MARD, Author's calculations

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Another problem that is found regarding the agriculture budget is the significant non-realization of strategic objectives related to its growth over the years, non-realization that reaches up to 30 percent (the year 2017).

Table 2. The actual budget and its strategic objectives (2014-2020)

Year	Total actual budget in million ALL	Objective of ISARD 2014-2020	Actual budget vs objective in percent
2014	6636	8071	**82.2**
2015	8375	8486	**98.7**
2016	10188	10805	**94.3**
2017	8029	11529	**69.6**
2018	9252	12168	**76.0**
2019	9104	12292	**74.1**
2020	10810	14777	**73.2**

Source: MARD, ISARD 2014-2020

Discussion and Conclusions

The main focus of this study was analyzing the pattern of the public budget for agriculture and identifying its characteristics. As we have estimated the budget for agriculture has been and is not sufficient. This is argued be largely unmet financial needs for the rehabilitation of the irrigation and drainage system and the limited direct support for agriculture, as well as the very ambitious but unfulfilled government forecasts for larger budgets as forecasted in the strategy for rural and agricultural development. Insufficient public budget and private sector investment could put Albania in a poverty trap.

The growth of the agricultural budget over the years is low (3.6 percent per year). It is well below the growth rate of Gross Domestic Product (GDP) by 4.7 percent per year, and also below the growth rate of Gross Agricultural Production (GAP) by almost 4.7 percent per year. Moreover, if we take into account that budgets are not expressed in the present value of money, the absolute real budget increase would much smaller than what the nominal figures show.

The fact that the budget for agriculture is not seen in relation to the dynamics of GDP may be an indication that agriculture is not considered a priority sector.

The rate of budget increases for its specific programs is often much lower than the budget increase as a whole. For example, the correlation between budget dynamics and

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rural investment dynamics is about 64 percent. For the irrigation and drainage sector, investments for almost 10 years (from 2005 to 2014) are in a clear downward trend, given the great need for rehabilitation and maintenance of the system, with significant effects on productivity and agricultural production. Given the importance of the agriculture sector for improving the living of the population and the reduction of poverty, but also for the overall economic development of Albania, being the foreign publicly allocated investment relatively absent, the public budget should have supported more sustainably and fully the rehabilitation of the irrigation and drainage system.

Within the overall budget and the programs, it covers, priority programs should be outlined more seriously, and their budget should be increased no less, if not faster, than the budget increase as a whole. In the long run, we estimate that these programs are the rehabilitation of the irrigation and drainage system, support schemes for farmers, as well as the information and advisory including the agricultural research. Of course, the issue of priorities is something dynamic, which can change with time, so their discussion should also be a dynamic process.

The direct support of farmers in relative terms has generally increased faster than the agriculture budget, but with large fluctuations from year to year. This shows that direct support policy has not been consistent. On the other hand, it is considered too insufficient and small compared to the needs and compared to the budget that surrounding countries or beyond dedicate to agriculture.

Budget increases for specific budget programs are often characterized by significant fluctuations and often do not present clear trends. This is more visible in the case of the direct support budget, but also in the case of the budget for rural development, irrigation, and drainage and, in general, for domestic investments, but not only. Thus, the overall correlation between budget dynamics and irrigation and drainage is only 57 percent; between budget and investment for irrigation and drainage only 64 percent; and that between budget and direct support only 1.8 percent. Large fluctuations are indicative of a lack of control over development priorities within the sector and a lack of seriousness in allocating sufficient budget for specific programs, although the overall budget trend has been characterized by steady growth.

As seen in their dynamics over the years, by-program structural budget changes are generally slower or lower than relative budget growth. This happens with some of the budget components like irrigation and drainage, food safety, direct support schemes, and investments. This dictates the need to re-discuss priorities within the budget and progressively increase the budget weight of programs that are considered priorities.

Strategic budget-related objectives for agriculture often deviate significantly from actual or planned budgets over the years. This is due to the failure to meet budgeting needs with strategic objectives.

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The literature highlights that the process of consulting and discussing the budget at the time of its drafting with farmers and other stakeholders is non-participatory, which constitutes a disagreement with one of the main principles of performance-based budgeting, that of broad consultation with related actors and with the public.

Recommendations and policy implications

The study results in a number of policy recommendations or implications that can improve its budgeting process, efficiency, and effectiveness.

Agriculture should be regarded as a priority sector due to the size of the sector and the agricultural population as well as the effects of agricultural development on poverty reduction. The support that agriculture should receive should be above the GDP growth rate.

Albania needs to avoid falling into the poverty trap, through larger investments being made along with well-defined priorities and increasing their efficiency.

The budget for agriculture must be increased imperatively and in sufficient proportions to solve problems that have remained unresolved for years, to support productivity growth and rising living standards, because, as the literature points out, the increase in production and agricultural development is closely related to the increase in the standard of living of people living in rural areas, most of who live in or with agriculture, but also to the increase in living standards in urban areas and the economic growth itself of the country in general. This concerns in particular the completion of irrigation rehabilitation but also the drainage of agricultural lands.

Given the remarkable fluctuations in the budget over the years, the lesson we should learn here is that agricultural development priorities, as long as they remain so, must be reconsidered and then supported in a sustainable way.

Regarding direct state support, increasing transparency, starting with the selection of winners is quite critical. In addition, improving the process of monitoring and evaluating schemes is also critical to improving the efficiency of support. Increasing the amount of subsidies is a must, but it should be conditioned by institutional strengthening and increased absorption capacity, to make sure that subsidies are effective and efficient.

The budget for agricultural advisory, information, and research is extremely low. In Albania, are spent about 700-800 ALL per year for each farmer. Also, its dynamics are stagnant for almost the entire period under study. The positive is the fact that from 2019 there are clear signs of budget increase for this program. The literature emphasizes the need for large investments and funding from the side of the government as well in this regard; however, the way this support should be provided needs discussion.

Consultation with agricultural development actors should be realistic, transparent, and effective. This guarantees better allocations of funds in terms of efficiency, better

prioritizing, better identification, and support to real needs. It could also contribute to improving policy measures for their implementation, as well as effective support by the government in the implementation of the budget.

Structures related to the planning and drafting of agricultural development strategies should be more serious and more professional in setting objectives (ambitious but also achievable and related to the budget); otherwise, their failure cannot be avoided and justified.

Improving transparency for all budget programs regarding their design and execution, for all its components, is vital in terms of efficiency. In this regard, it is important to improve, except for its monitoring, the impact assessment of investments and expenditures. Performance-based budgeting (PBB) would have indisputable positive effects in this aspect, because PBB is the budget that provides information on what agencies have done or will do with the money they have at their disposal (OECD, 2019).

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