

Minutes of the joint interim meeting

for the projects:

**Agricultural Policy Developments and EU Approximation Process in
the Western Balkans Countries (APDAP-WB)**

**Land Market Development and Small Farms' Access to Land in the
Pre-accession Countries (LMSF-AC)**



11 - 12 May 2018

Durres, Albania

1. INTRODUCTION

The joint interim meeting for the projects APDAP-WB and LMSF-AC was organized in Durres, Albania, on 10 – 11 May 2018. It gathered total of 20 participants, including national experts from Albania, Macedonia, Kosovo*, Serbia and Bosnia and Herzegovina; international experts from Slovenia; representative of the Ministry of Agriculture, Forestry and Water Management of Republic of Srpska, Bosnia and Herzegovina; representative of the EC - DG AGRI; as well as representatives of the SWG. The full list of participants can be found in **Annex 1**.

The aim of the meeting was to check progress to date, discuss the interim reports and the individual national inputs, confirm technical details for performing upcoming tasks and improving previous tasks. The program of the meeting is given in **Annex 2**.

2. WELCOME ADDRESSES

Mr. Boban Ilic, on behalf of SWG, and Mr. Zigo Rutkovskis, on behalf of DG AGRI, gave welcoming addresses to the participants, emphasizing the importance of the two studies for both, the Western Balkans and the EC, and expressing appreciation of the effort invested thus far by the experts group. They announced the final meeting, which would be held in the second half of September in Brussels, and which would be combined with a lunchtime conference, including wider public of the EC representatives.



3. LMSF-AC INTERIM REPORT

The LMSF-AC interim report was presented by Mr. Matej Bedrac from the Agricultural Institute of Slovenia.

Mr. Bedrac emphasized the lack of reliable data and information as one of the biggest obstacles for serious analysis of land market development in the Western Balkan countries. The interim conclusions from the study are that small and fragmented farms predominate in all WB countries/territories (although there is no common definition among them of a small farm). In some of the countries/territories great share of the rental contracts are informal. Sales markets are underdeveloped and weak and enable easy change of the purpose of the agricultural land.

* This designation is without prejudice to positions on status and is in line with UNSCR 1244 and the ICJ opinion on the Kosovo declaration of independence.

Land market regulations are inadequate and complex, legislation is developed, but not implemented in practice. Agricultural credits are not available to a sufficient extent and one of the biggest problems is required collateral. Therefore, preliminary policy recommendations are:

- Improving the land and size structure of small agricultural holdings,
- Establishing reliable databases,
- Modernization and implementation of land market regulations

The full presentation is provided in **Annex 3**.

4. LMSF-AC NATIONAL REPORTS

The participating national experts presented their draft national reports. Although Federation of Bosnia and Herzegovina (FBH) and Republic of Srpska (RS) are entities which belong to one country - Bosnia and Herzegovina, due to their different policies they were analysed separately.

According to the research conducted so far, agricultural land in the **Federation of Bosnia and Herzegovina** is very fragmented and insufficiently protected. No institutional and regulatory preconditions for establishment of functional land market exist. The Law on agricultural land is violated in many ways and at numerous levels without any legal consequences. There is no regulation or mechanisms for agricultural land protection. Cadastre and land register are inaccurate, not updated and unadjusted. There is no central institution in charge of agricultural land market. The demand for agricultural production is decreasing. There are no agri-policy measures related to land market. The lack of credits suitable for agriculture and the lack of agri-policy measures to facilitate farmers access to finance discourage farmers, particularly small ones, to buy land.

In the **Republic of Srpska** there is a problem in determining the actual size of agricultural land, its use and ownership structure, due to the different data from different sources or completely missing data. The location and the size of the land parcel have a greater impact on the price of the rent than the quality of the land. In addition, there are cases of giving land for use free of charge and without written agreement. According to the official data agricultural land sold in 2017 is only 0.01% of total agricultural land in the RS, which means that the agricultural land market is poorly active. Generally, agriculture is not a favorable sector for the commercial banks, and mainly farmers borrow from micro-credit organizations with high interest rate. There are no dedicated credit products for the purchase of agricultural land.

Land fragmentation is a serious issue in **Kosovo***, too. Majority of farmers own small parcels of agricultural land distributed in many places. Data on land ownership is incomplete or not updated. There is not clear administration, management and privatization of socially owned agricultural land. Agriculture is the least credited sector by the financial institutions in Kosovo, and with high interest rates. Lack of the insurance system in agriculture is further greatly affecting farmers' access to loans. Therefore, the government should establish introduce

instruments for land consolidation such as: state fees in cases of property transfer, appropriate tax policy, financial relieves in case of selling land to the neighboring land leasers or land substitution from the public fund, better roads and irrigation infrastructure, as well as education

Macedonia's agriculture is also characterized by small parcels and fragmented land. Estimated 80% of the total land is leased with formal contracts since most of them are with the state. 20% refer to the lease of private land, of which 70% with informal contracts. No direct measures or other budgetary support exist for buying land. Banks prefer agricultural companies as clients since they are considered less risky. Main reasons for rejection of farmers' loan applications are: weak financial capacity, bad credit history, inefficient and not sustainable investments, lack of collateral. Major factors affecting the land market in Macedonia are: weak institutional settings, unresolved legal and property rights, migration of the local population, inefficient credit market.

The biggest obstacles to the development of the effective agricultural land market in **Serbia** are:

- Insufficiently effective implementation of laws in practice;
- Inadequate tax policy;
- Out of date data on unique real estate;
- High fees for certification of purchase and rent agreements by public notaries;
- Lack of own funds and inadequate creditworthiness of small farm households for the purchase of agricultural land;
- Social insecurity of landowners, which makes them reluctant to sell their land;
- Relatively long-lasting probate proceedings;
- Fragmentation of property;
- Insufficient interest of farmers for land consolidation, expensive and long-lasting land consolidation procedure;
- Unfinished restitution procedure;
- Geographical information system on agricultural land exists only for state agricultural land.

In **Albania** the overall rental and sales markets are still underdeveloped. Main obstacles for development and small farmers' access to land are: unclear property rights, ineffective legal enforcement, lack of land titles, lack of credit access, social norms and land fragmentation. A gap of approximately €600 Million in financing is estimated for the sector to generate adequate growth.

LMSF-AC national reports presentations are provided in **Annex 4 - 9**.

5. LMSF-AC NEXT STEPS

Dori Pavloska Gjorgjieska from SWG provided an overview of the project's workplan, concluding that activities are on track. Remaining activities until the end of the project are:

Task	Who	Activity	Deadline
	SWG	Submit Minutes of the Interim Meeting	25 May'18
	SR	First draft Final Report (results of Task 1, 2, 3, 4), including development of a comparative cross-country analysis of the land markets and small farms' access to land in the WB countries	7 Jul'18
1, 2, 3, 4	SWG	First draft Final report to JRC	15 Jul'18
1, 2, 3, 4	NE, SR, SWG	Final report and Databases	15 Sep'18
1, 2, 3, 4	NE, SR, SWG	Final meeting (discuss Task 1, 2, 3, 4) / Lunchtime conference – dissemination of results	19 or 20 Sep'18

6. APDAP-WB INTERIM REPORT: STATE OF THE ART OF POLICY PAPERS AND APM DATA SAMPLING

Mr. Emil Erjavec and Ms. Tina Volk, representing the international experts team, provided an overview of the accomplishments to date.

Templates for collection of data on agricultural policy measures and agricultural statistics were provided to the national experts, as well as updated version of methodology notes and user information explaining the content and the use of all APMC sheets and quite comprehensive technical adjustments of the automatically generated analytical tables and graphs.

Draft version of updated APM database were received from the national experts (NE) from Montenegro, Albania, Bosnia and Herzegovina, Kosovo* (incomplete) and Macedonia (at the meeting). Serbia reported problems with obtaining data on budgetary support from the Ministry of Agriculture, Forestry and Water Economy, and SWG is helping in the process by intensive communication with the Ministry to fix formalities and enable data access. NE from Kosovo* is expected to be able to provide the data for 2017 by mid-June, when the data becomes available. DSS table was delivered by all NE except Bosnia and Herzegovina. NE from Bosnia and Herzegovina explained that the legal framework for agricultural policy implementation (annual programming documents) for the year 2018 has not been adopted yet

and therefore it was not possible to deliver complete dataset (including 2018) on time. Most countries provided also the first version of updated agricultural statistics database even though the time-line was scheduled to be set at the Durres meeting.

All received datasets were checked and a feedback to the national experts in the form of comments, suggestions and additional questions was given. It is expected that the final versions of these datasets will be available by 25 May and mid-June, respectively.

In addition, the national experts were tasked to prepare country reports assessing the changes in the agricultural policy framework with attention to European integration tasks. The assessment is based on review of the policy strategic documents and critical and independent assessment of the agricultural policy framework developments and recommendation on policy improvements by national experts.

Within the reporting period 4 country reports were delivered and revised (Montenegro, Bosnia and Hercegovina; Kosovo*, Albania), Macedonian report was being finalized, while the Serbian was in a draft format, having in consideration the data access issue.

Preliminary conclusion is that the main characteristics of the agricultural policy have not changed much since 2015. However, at least in some of these countries/territories the total support to agriculture has an increasing trend. The WB countries are updating and modernising the institutional frame of policy. It seems to be the priority to adopt the condition for IPARD funding through national programming documents and institutional set-up. The rural development measures are mostly secondary policy instruments. However, with IPARD policy adjustments and also with strong support from the donors this policy is also growing. Main target is the farm investment support. The issues of support for small farmers, mountain farmers and for environment is still very limited.

7. APDAP-WB NATIONAL REPORTS

The participating national experts presented their draft national reports.

In **Bosnia and Herzegovina** there haven't been major changes in the volume and structure of agricultural production and foreign trade. There are strategic and programming documents at all administrative levels, but their implementation is far from what has been declared. The policy on subsidizing of agriculture is outdated, in relation to the CAP. BiH has no access to IPARD funds, and there are certain expectations of some IPARD like measures. Faster and real reforms are urgently needed.

In addition to the analysis of the agricultural support on the basis of budgetary transfers, BiH was used as a pilot case study to test a simplified methodology for a rough estimate of the **total agricultural support to producers**. In order to produce relative indicators, the methodology takes in consideration the value of production and domestic and reference prices. The research showed that BiH is still at the very beginning of harmonization with CAP, since the market price support has the highest share of the aggregate support. Over the last three years the % TTP (total transfers to producer) is remarkably higher in EU than in BiH.

In **Kosovo***, in general, the development of programming documents and harmonization with EU principles shows some progress, mainly in the objectives of strengthening responsible institutions and increasing the budget. However, improvements are necessary in the institutional set up, policy development, empowering local stakeholders, land consolidation, as well as other technical service.

Political crisis has had a big influence in the policy developments in **Macedonia**. The structure of the support has practically not changed so that market and direct producer support measures still prevail. It is recommended to change the structure of the budgetary support and increase the rural development program, as well as change the direct producer support scheme towards decoupling.

Over the recent years **Albania** has witnessed a slight update in terms of strategic policies. Agenda 2030 call for improvement of rural livelihoods and environment. Policy reforms are directed toward institutional improvement and market orientation. Institutional reforms have created discontinuities in terms of budgetary disbursement. The administrative and institutional capacity necessary for CAP like measures is still undeveloped. It is recommended that strategies are complemented by budgetary support and action plans are operationalized. Inconsistencies in policies should be avoided in order to avoid confusion and unpredictability for the private sector actors. Investment is needed in technical and human resources to achieve a proper institutional set-up.

In **Serbia** there has been progress in setting up institutional structures and adjusting the agricultural policy concept to the CAP. However, there is still stagnation or slow pace of farm productivity growth, weak integration of farmers in the food supply chains and unused or poorly maintained natural resources. Support measures for agriculture have remained, however, there has been relative and absolute decline of the agricultural budget in 2016. Institutionalised policy monitoring and evaluation system is lacking. The national agricultural policy is further favoring the livestock sector, has increased the funds for rural development measures, on farm investment support and agro-environmental measures, while decreased the funds for general support measures. The action plan for acquis alignment still needs to be adopted.

APDAP-WB national reports presentations are provided in **Annex 10 - 15**.

8. APDAP-WB NEXT STEPS

The agreed next steps until the completion of the assignment are:

Task	Who	Activity	Deadline
	NE	Provide improved Task 1 (APM database, TTP database, country paper 1) per the IET feedback (Serbia and Kosovo* mid-June)	25 May
2	NE	(Revised) country papers, including: <ul style="list-style-type: none"> • Review of the policy strategic documents on the future development of national policies in the WB countries • Overview of the existing policy framework to ensure compliance with EU standards in primary production and processing • Country specific analysis of agricultural policy developments and the EU accession process for all WB countries based on policy information collected in Task 1 • Identified major changes in policy instruments adopted in last years in the WB countries • Implications of adopted agricultural policies for the farming sector 	25 May
	NE	Sector statistical data	15 June
3	IET	First draft final report, including: <ul style="list-style-type: none"> • Cross-country comparison of agricultural policies in the WB countries based on the policy information collected in Task 1 and country specific analysis in Task 2 <ul style="list-style-type: none"> • Evaluation of the EU approximation process of WB countries • Identification of the main successes and failures of agricultural policies 	7 July
1, 2, 3	SWG	First draft Final report to JRC	5 Aug
1, 2, 3	NE, IET, SWG	Final report and Databases incl. country case studies	15 Sep
1, 2, 3	NE, IET, SWG	Final meeting (discuss Task 1, 2, 3) /lunchtime conference (dissemination of results)	19-20 Sep

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Annex 3 – LMSF-AC interim report by AIS

Annex 4 – LMSF-AC BiH FBH

Annex 5 – LMSF-AC BiH RS

Annex 6 – LMSF-AC Kosovo*

Annex 7 – LMSF-AC Macedonia

Annex 8 – LMSF-AC Serbia

Annex 9 – LMSF-AC Albania

Annex 10 – APDAP-WB BiH

Annex 11 – APDAP-WB BiH TTP

Annex 12 – APDAP-WB Kosovo*

Annex 13 – APDAP-WB Macedonia

Annex 14 – APDAP-WB Albania

Annex 15 – APDAP-WB Serbia