



# Policy brief

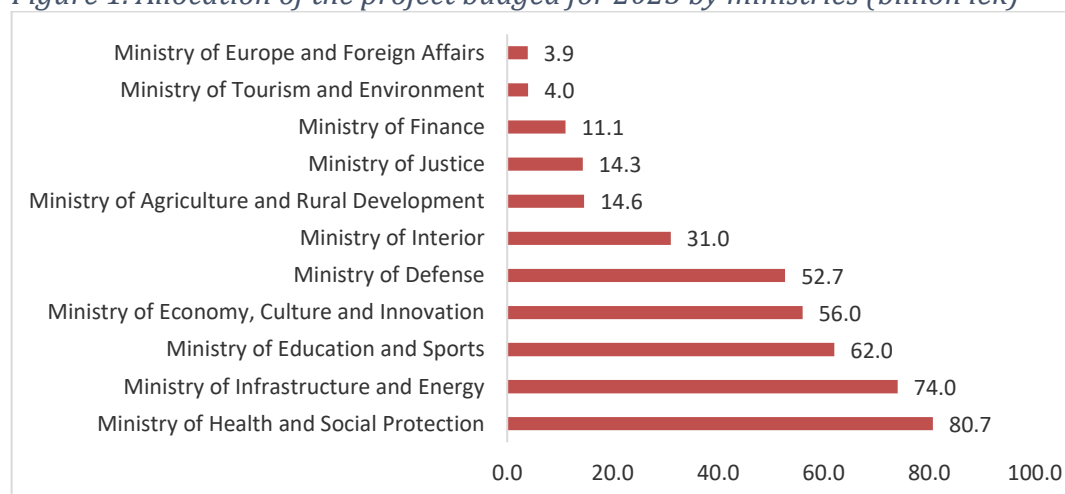
## **Agriculture in 2025: National priority in words, but not in action**

Alba Tema, Researcher

Evelina Azizaj, National Coordinator

The Ministry of Finance has recently published the draft budget for 2025, in a total of 822.7 billion lek. This budget prioritizes several sectors, including Health and Social Protection (80.7 billion lek), Infrastructure and Energy, (74 billion lek) and Education and Sports (62 billion lek). The Ministry of Agriculture and Rural Development is the seventh in terms of funding, with an allocation of approximately 14.6 billion lek.<sup>1</sup> Compared to the 2024 budget, this represents only a 4% increase, which is a minimal support given that agriculture is promoted as a crucial sector for the country's development. While agriculture is declared a national priority, in practice, it remains undervalued and underfunded.

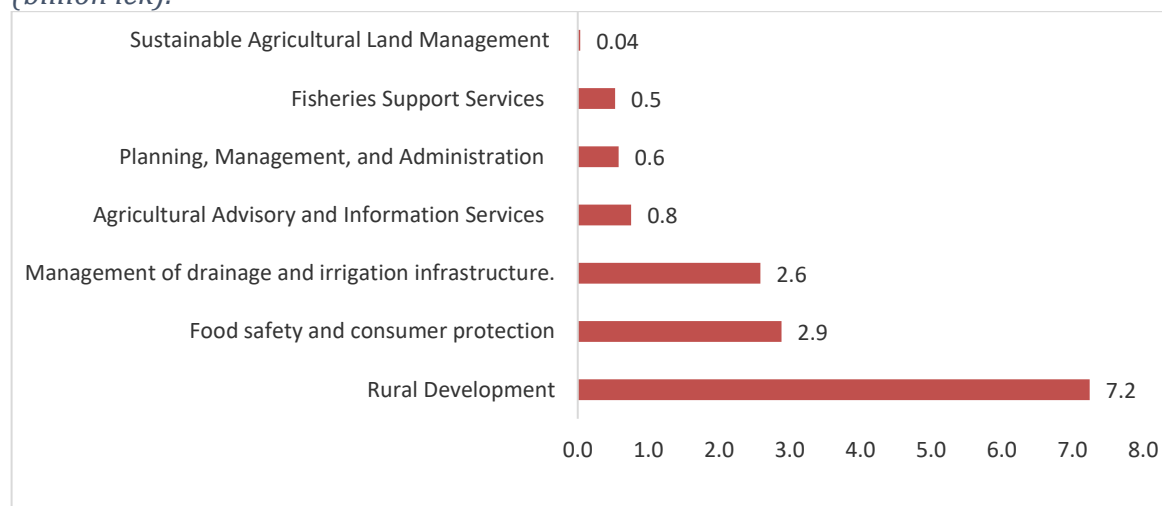
Figure 1. Allocation of the project budgeted for 2025 by ministries (billion lek)



Source: Ministry of Finance, 2024.

The biggest amount of the budget for the agriculture sector, approximately 7.2 billion lek, is dedicated to Rural Development. This funding supports agricultural and livestock production, agro-industry, and marketing. Of this total, 4.4 billion lek is allocated for direct payments for farmers, which includes a free fuel scheme, mechanized agricultural, and priority investment schemes for farms. Additionally, food security remains a priority in the agricultural sector, with a dedicated fund of 2.9 billion lek. There is also a focus on improving irrigation and drainage infrastructure, as well as flood protection, which receives 2.6 billion lek.<sup>2</sup>

Figure 2. Allocation of funds in the draft budget for 2025 of the MBZHR, classified by categories (billion lek).



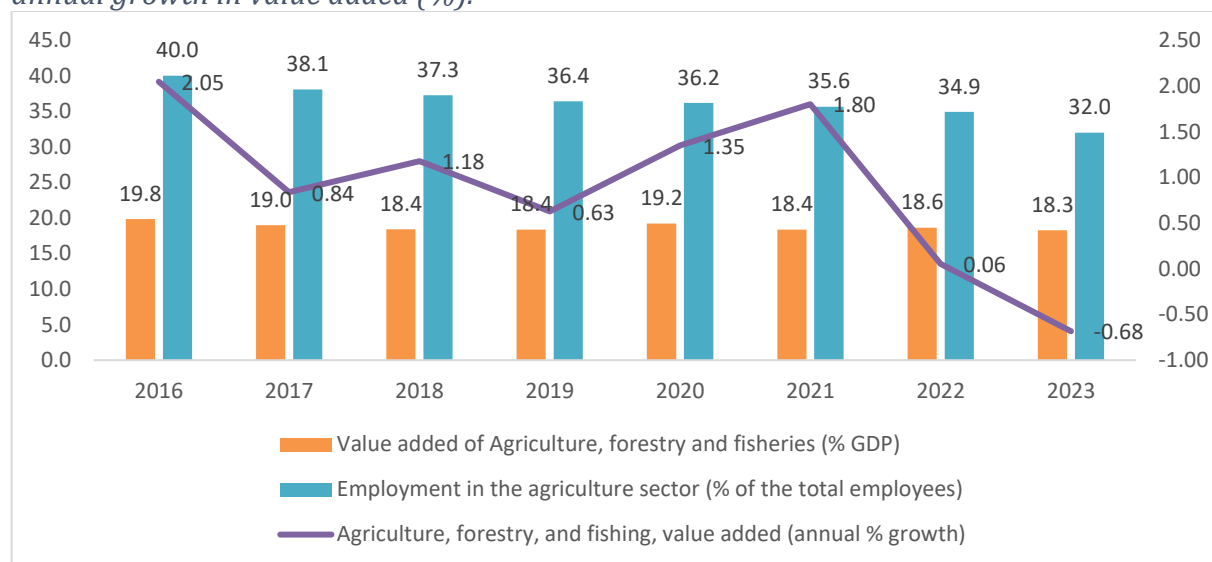
Source: Ministry of Finance, 2024.

<sup>1</sup> Ministry of Finance (2024). Budget. In: <https://financa.gov.al/buxheti-2/>

<sup>2</sup> Ministry of Agriculture and Rural Development (2024). Press release. In: <https://www.bujqesia.gov.al/denaj-prezanton-p-buxhetin-2025-15-miljarde-leke-per-bujqesine-dhe-zhvillimin-rural/>

The agriculture and rural development sector is a vital part of the Albanian economy, contributing 18.3% to the Gross Domestic Product (GDP) and employing approximately 32% of the country's active workforce.<sup>3</sup> However, despite its economic and social importance, the sector has experienced a decline in recent years. For the first time in many years, the annual growth of value added to GDP decreased to -0.68% in 2023. Additionally, employment indicators within the sector have shown a notable decrease, with an 8% reduction since 2016.<sup>4</sup>

*Figure 3. Contribution of the agriculture, forestry, and fishing sectors to GDP, employment, and annual growth in value added (%).*



Source: World Bank, 2024.

Competition between domestic and imported products is becoming increasingly concerning. The trade balance of agri-food exports and imports in 2023 reached -80,754 million lek.<sup>5</sup> This indicates a significant concern for the sector, especially as budgetary support for agriculture and rural development remains insufficient, which has been a persistent concern over the years. Albania has one of the lowest levels of support for farmers in the Western Balkans. <sup>6</sup>Recent statistics show a decrease of 33% in the number of livestock in Albania during the period 2018 to 2023, emphasising the crisis faced by this sector.

Additionally, lack of labor force due to continuous migration from rural areas and low interest in agriculture sector are further exacerbated by inadequate financial and technical support for farms. This set of factors has put agriculture and rural development in a vulnerable position, compromising farmers' ability to achieve well-being and sustainable livelihoods.

The suspension of IPARD II funds in 2024 marks a critical moment for development and modernization of the agricultural sector in Albania, posing challenges to compliance with European Union standards. According to the latest report published by OLAF<sup>7</sup>, serious irregularities have been identified during the grant awarding and implementation phases of several projects. As a result, the European Commission deemed part of the funding from the First


3 World Bank (2024). World Development Indicators. Për ta aksesuar: <https://databank.worldbank.org/reports.aspx?source=2&country=ARE>

4 World bank (2024). World Development Indicators. Për ta aksesuar: <https://databank.worldbank.org/reports.aspx?source=2&country=ARE>

5 INSTAT (2024). Databaza statistikore. Për ta aksesuar: [https://databaza.instat.gov.al:8083/pxweb/sq/DST/START\\_FT\\_FTY/NewFTY001/table/tableViewLayout1/](https://databaza.instat.gov.al:8083/pxweb/sq/DST/START_FT_FTY/NewFTY001/table/tableViewLayout1/)

6 OECD (2024), Western Balkans Competitiveness Outlook 2024: Albania, Competitiveness and Private Sector Development, OECD Publishing, Paris, <https://doi.org/10.1787/541ec4e7-en>.

7 European Anti-Fraud Office



and Second IPARD II Calls for Applications—amounting to approximately 33 million euros—as unjustified. OLAF has also recommended suspending future funding of about 112 million euros for Albania through IPARD III until necessary measures are implemented to ensure proper management of these funds.<sup>8</sup>

Agriculture, rural development, and fisheries are sectors expected to be transformed as part of the efforts in the EU integration process. According to the progress report published by the European Commission regarding *Chapter 11: Agriculture and Rural Development*, Albania has made limited progress. Furthermore, for *Chapter 12: Food Safety, Veterinary, and Phytosanitary Policy*, no progress was reported during this period. The recommendations in this report are consistent with those from previous years. They emphasize the importance of fully aligning the farm register with EU law, as well as harmonizing the Integrated Administration and Control System (IACS), the Land Parcel Identification System (LPIS), and the Common Market Organisation (CMO).<sup>9</sup>

In this context, it is evident that the agricultural sector requires significant efforts and investments to modernize and align with European standards. However, the unresolved challenges this sector and rural communities are facing, particularly small farmers, pose major obstacles. Both the European integration processes in the agricultural sector and the well-being and economic sustainability of farms and rural communities requires substantial financial support. If agriculture is not prioritized by the government and does not receive increasing financial support each year, there is a risk that the sector will fail to realize its full potential in contributing to the country's economy and sustaining community life in rural areas.

In conclusion, the agriculture and rural development sector is in a difficult moment, including a lack of financial support, increased competition from imported products, and long-standing issues that remain unaddressed. The 2025 draft budget lists agriculture as one of the least priority sectors. Without support from the IPARD funds and lower lending rates from financial institutions, the crisis surrounding financial resources in this sector is likely to worsen, threatening its sustainable development.

To this end, it is urgent that the government prioritize agriculture and rural development on its agenda as a key sector for sustainable growth. This means increasing budgetary support by reinvesting a significant portion of the sector's economic contribution back into agriculture and rural development, at least 50% of that contribution. Additionally, establishing a support system that is responsive to the actual needs of farmers and other stakeholders in rural areas is essential. This can be achieved through monitoring and reassessing support measures to adapt to the evolving demands and challenges they face.

At a time when integration in the European Union requires that Albania meets its high standards for development and modernization, recognizing the critical role of agriculture and providing sustainable support to farmers is essential for ensuring long-term development and increasing productivity. Only by prioritizing the agricultural sector can we drive its transformation and create a better future for Albania's farmers and rural communities.

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<sup>8</sup> OLAF (2024). The OLAF report 2023. In: [https://ec.europa.eu/olaf-report/2023/investigative-activities/protecting-eu-funds/international-investigations\\_en.html](https://ec.europa.eu/olaf-report/2023/investigative-activities/protecting-eu-funds/international-investigations_en.html)

<sup>9</sup> European Commission, (2024). Progress report for Albania 2024. In: [https://neighbourhood-enlargement.ec.europa.eu/albania-report-2024\\_en](https://neighbourhood-enlargement.ec.europa.eu/albania-report-2024_en)

