The Management of the Forestry Potential, a Chance for Poverty Reduction in Albania

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Abstract
Finding ways to reduce poverty is a priority of the governments of Albania and in close collaboration with international donors, a concerted effort is being made to focus on those areas that experience a high incidence of poverty, namely the remote rural areas. These areas also coincide largely with the 50% of Albanian land area that is covered by forests and pastures and it is no coincidence that the government has, with the financial assistance of the World Bank and Governments of Italy and Switzerland, and with the technical Assistance of FAO, implemented a comprehensive forestry project that among other objectives also has poverty reduction as one of its expected outcomes. The collaboration of the World Food Programme through its provision of food packages to the forestry workers has been the most direct benefit for the poor. The Albania Forestry Project has funded a range of activities to strengthen the overall forest and pasture administration, improve forest management practices, support the transfer of forests and pastures to the communes and to improve the management of Albania's protected areas. These activities are still ongoing and after completion of the Forestry Project at the end of 2003, important progress towards better resource management and positive economic prospects for many communes will hopefully have been achieved.
Key-words: Poverty reduction, rural areas, forest project

Introduction

In 1995, the Albania Government, the WB, the Italian Government and the Swiss Government signed the project documents of the Albania Forestry Project (FP). Implementation of the Project commenced in 1996 and after a one-year extension that has just been formalized, the FP is now scheduled to conclude at the end of 2003.

Poverty reduction is one of overriding objectives of the FP that in the course of its six years of activities has involved a wide spectrum of the country's population. Qualitative assessments indicate that the project as a whole has had a positive impact on poverty alleviation and that particularly the CFPM component with its targeted interventions in rural areas, has contributed significantly to reducing poverty in very vulnerable areas. An earlier study of the communal component alone showed that in some areas, employment in forest sector is the only source of local employment, thus reducing poverty and migration. To determine the extent to which the FP has been successful in reducing poverty has been the objective of this study that was carried out as recommended by the FP Joint Supervision Mission of December 2001. The Ministry of Agriculture and Food MOAF has supported the study and has recommended that the results of this study be presented at a national conference. The findings of the study are intended to serve the Government and donors in the design of other projects that have poverty reduction as an objective. The FP, FAO-TA, WFP and SNV have provided financial and technical support for this assessment. Poverty in Albania has received a lot of attention from the Government and also most Donors in the country. The National Strategy for Socio-economic Development issues by the Albanian Council of Ministers identifies poverty as a multi-disciplinary phenomenon reflected by the following five indicators:

- Low or very low level of income of the poor
- Higher disease rate and lack of appropriate medical services
- Illiteracy or low level of schooling
- High exposure rate towards risks
- Low voice in government decision making

Based on these defined national indicators, this study has been designed solely to assess the impact of the FP on poverty reduction as related to these five indicators. The study analyses historic data from the FP such as

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disbursement and investment figures and relevant activity records for districts and communes. Furthermore, the study is based on the analysis of original field surveys that has been specifically designed for surveying six distinct target groups, each involved in FP activities at various levels and capacities through Albania. Because this assessment has a narrow focus on FP investments and activities, it is no way a conclusive study on poverty reduction in Albania. However, the results of this assessment provide not only useful information about the performance of the FP but may also may serve as source of information for the assessment of other projects that deal with poverty reduction. More importantly, the findings of this assessment can hopefully help in the design of future assistance activities aimed at poverty reduction.

Methodology for the impact Assessing

➢ Study Concept

A WG consisting of representatives of the DGFP, PMU, FAO, WFP, SNV and the Agricultural University of Tirana has been created to guide all activities related to this impact assessment. The DGFP was the lead agency for this WG and the FAO-TA coordinated the activities.

➢ Target Groups for survey

The working group identified six target groups: forestry departments, forestry associations, private contractors, local government, forestry workers and households (directly profiting from the FP and other households) in the are

## I. Overview of the factors determining the Poverty Situation on the Albanian rural areas

Low agricultural productivity partly explains the lag in rural welfare.

Most family farms produce only for their family. First, the ratio between the quantity of products sold and collected is very low. Only 28 percent of farmers sell their produce on the market and on average only 9 percent of the crops harvested is sold by farmers. Secondly, there is very little use of labor rent on family farms .The statistical data show that the labor force is rented almost non-existent for small farms family. Only 8 percent of all farms hired labor, although this rises to about 17 percent for those who lease land. Part of hired labor in the total cost of inputs only 3 percent of all farms. This shows that farmers rely on family labor or unpaid workers (relatives or work in exchange for neighbors.) Finally, most farms characterized by low technology. Only about a third of households report owning a type of equipment and the most 3 percent of all households own a tractor. However, although most farmers use pesticides and modern seeds, pesticides part of the cost is higher than half The cost of all purchased inputs, and this probably means that the price of these items so important can be relatively high, especially for farmers who participate in the market (those who rent).

The Albanian Institute of Statistics (INSTAT, 2007) shows that productivity is low because most farmers face multiple constraints. Overall, the efficiency of farmers - which means the allocation of factors production to more productive use - is low and this is true for all farmers land size categories. The average farmer is operating at only a third of the distance from potential. There are three major sources of inefficiency. First there are many families who do not have access to land enough. The average household cultivates only 0.8 hectares and a large part of this land is divided into smaller plots. However, a 10 percent increase in land available to farmers, will to increase agricultural production by 4.4 percent. Second, many farmers are not adequately served by agricultural institutions to manage the factors of production, irrigation, and property rights. For example, the few farmers who receive or provide services on seeds, grains, control for insects, fertilizers and feed for livestock, although the data show that those who have received advice on soil quality and ways to improve it, are much more efficient than those who have not received such aid. Third, access to credit within the community, seems to preclude growth.

The data show that if someone from the community would need credit to starting a business, then only 35 percent of communities, people will be able to take it government or private bank. Finally, massive out-migration, adds constraints by reducing assistance that can be given to important aspects such as labor, the efforts of the rest family remains, due to the receipt of remittances and overall investment in agriculture.

Figure 1. Trajectory of the Agricultural Farms in Albania
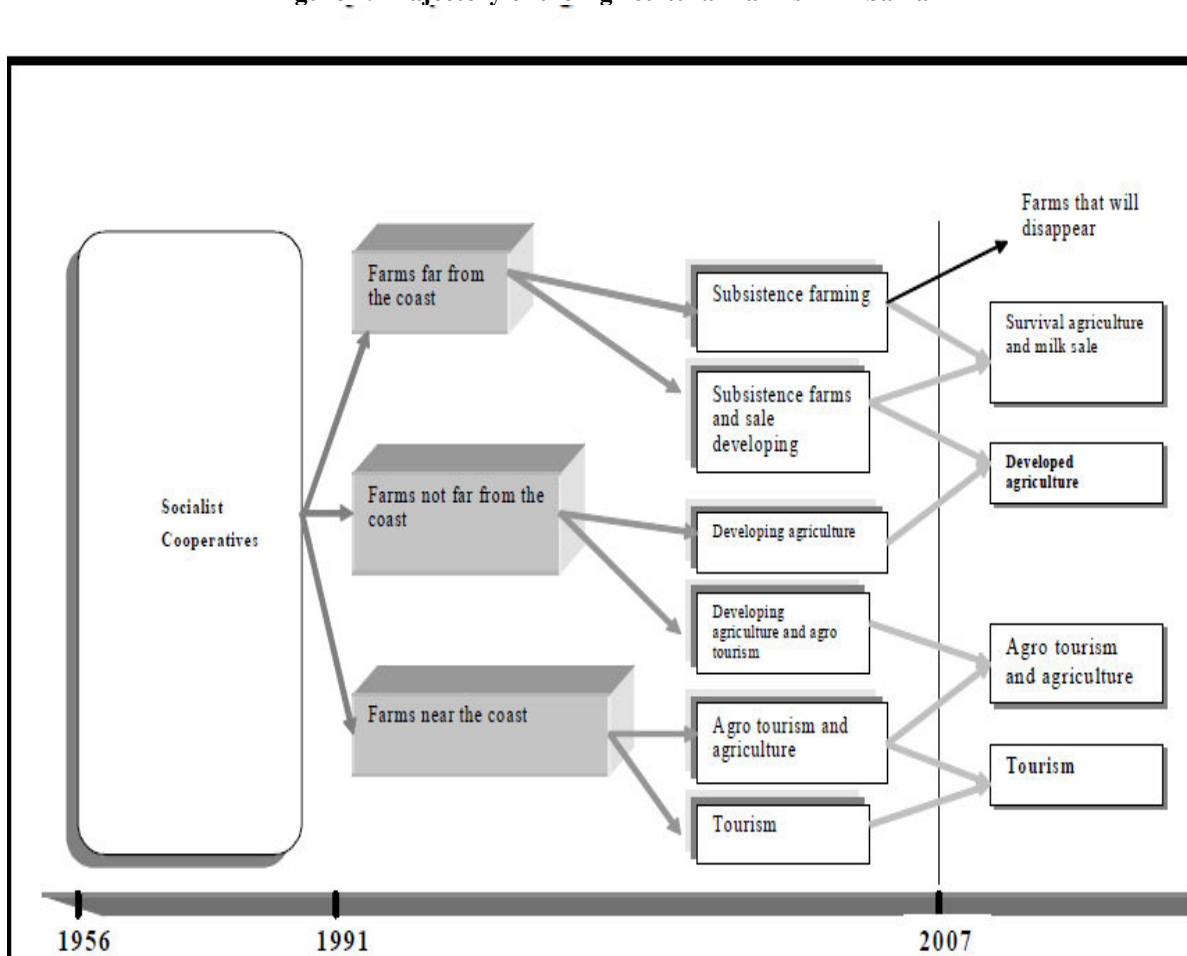
Source: INSTAT, 2007

Graphic 1. Number of farms with income from the work outside farm[2]
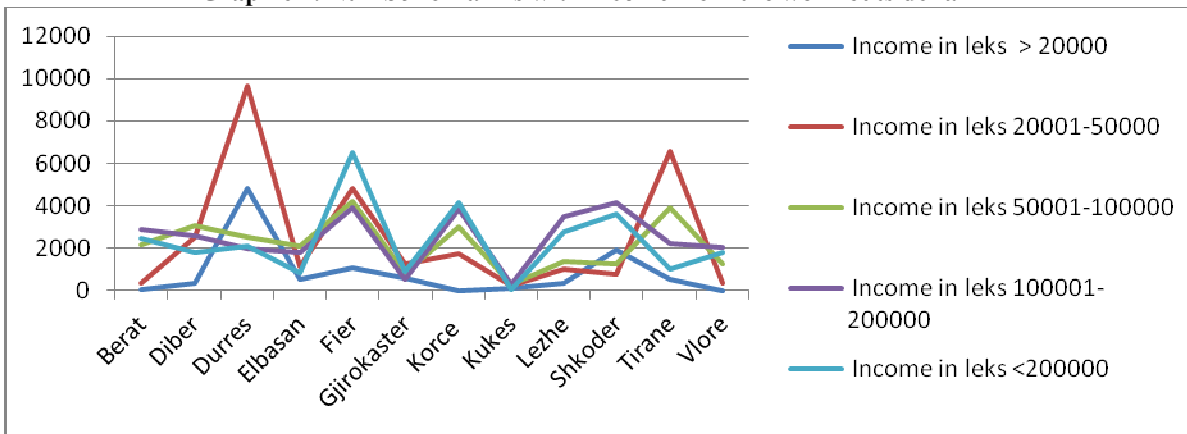
Source: INSTAT, 2007

II.   Albanian rural poverty

For rural Albanians, non-farm employment and the opportunities it offers are a potential means of rising out of poverty. Poverty in Albania weighs particularly on women and young people. Women, who were guaranteed employment under communism, were disproportionately affected by the mass unemployment that set in when state-owned farms and enterprises closed and people found themselves with no alternative source of income.

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[2] 1$=100 leks

Faced with a lack of wage-earning jobs, women took a more active role in subsistence farming to support their households. Yet women who are heads of households cannot maintain living standards as high as those in households headed by men. Discrimination and violence against women are serious problems. Almost half the poor people in Albania are under 21 years of age. Larger families tend to be poorer. Fifty per cent of families with seven or more members live below the poverty line. The effects of poverty among women and young people in Albania are closely related to the problem of human trafficking across national borders. Rural, northern and mountainous areas are the poorest areas in the country. The incidence of poverty is highest in the north-eastern districts of Kukes and Dibra, where almost half of the population is poor and 80 per cent of families' income comes from social protection schemes, economic assistance and disability payments.

Why are they poor?

Despite recent years of economic growth, poverty persists in Albania as a result of continuing low employment and low-income levels, particularly in rural mountain areas, and it reflects the unequal pattern of economic growth. Many small-scale farmers lack access to market outlets for their produce, particularly in mountain areas. Without outlets, farmers cannot increase their incomes and standards of living. Their problems are compounded by a scarcity of market information, lack of compliance with food hygiene and safety standards and inadequacies in packaging and labeling, which make their products uncompetitive. Many farmers, asserting reactive, post-communist individualism, are skeptical of the potential benefits of more formal business collaboration, such as member-run marketing and trading associations.

Farm production and productivity are hindered also by limited technical knowledge, obsolete equipment and limited availability of inputs. Markets are distant, there is a lack of financial services and the ageing farming population is composed mainly of women because men migrate in search of employment. Unless processing industries are stimulated to act as catalysts in supply networks, opportunities for Albanian farmers will remain underexploited, and commercially oriented farming will remain a sporadic and unorganized activity.

III.   The activities diversification today and the perspective for the future

Income in rural areas increased between 2002 and 2007, however, rural growth economy has come as a result of non-farm activities. Median income increased from 2790 USD in 2002 up to 4400 USD. During this period the average income from farming fell and the average income from agricultural production remained stable so that the share of agricultural activities in total income declined from 54 percent in 2002 to 45 percent in 2005. We can notice a growing interest of the population in rural farm activities. In particular, the average nonagricultural wage increased more than double to a level that now constitutes the second highest (to livestock) income for rural populations. Increasing the share of nonagricultural income ranked the highest for this period and rivaled only by the increase in farm businesses.

Rural income portfolios are diversified on average. A household is defined as specialized if more than 75 percent of its total net revenue is a result from a single source. As shown in Figure 2, the number of households that are specialized in one of the five main sources of income is lower in rural areas than in urban ones. For example, only 46 percent of rural households are specialized in one of the five main sources of income. By comparison, 75 percent of urban households are specialized in one of three sources of income. As expected, the majority of rural households in rural areas, 19 percent of them specialize in farm activities, followed by non-agricultural wages and transfers in this direction.

Residents of the rural poor are more likely to specialize in farm activities. Therefore it is important to emphasize three points in relation to the income of rural poor. First, they are more reliant on income from crop and livestock, the two sources of income which are being reduced in Albania. The share of total agricultural activities in total net income fell by 57 percent in 2002 to 51 per cent for the poor in 2007. At the same time it fell from 52 to 42 percent for the non-poor. In fact, the share of income from agricultural production, increased from 16 to 19 percent for the poor while it remained at the same level for the non-poor. Secondly, in all areas where there is a significant increase in income, they have left behind. These include income from non-agricultural activities and farm businesses. Third, the poor are more dependent on public transfers than those private (remittances). Transfers - private and public - make up about a quarter of revenue rural families. For the non-poor parts of the public and private transfers are divided almost equally, while the poor, about 75 percent of revenue comes from public transfers and only 25 percent of private ones. A smaller proportion of the poor depend on non-agricultural wages. In general, there are few those families who receive salary from agriculture. Overall, only 5 percent of the rural population contributes to agricultural wages. In 2007, the fraction of the poorest fifth, which gave its contribution to agricultural wages, was close to the national average (5 percent.). However, about 37 percent of the richest quintile took part in non-agricultural wages, compared with only 18 percent of the poorest. Moreover, average wages nonagricultural unit benefited from the poorest fifth were 43 percent lower than the average wage received by the second quintile of poor, indicating perhaps that the poor are not only contributing less in wages but also to non-agricultural incomes are lower.

Figure 2. Specialization of income in Urban and Rural

Source INSTAT, 2007
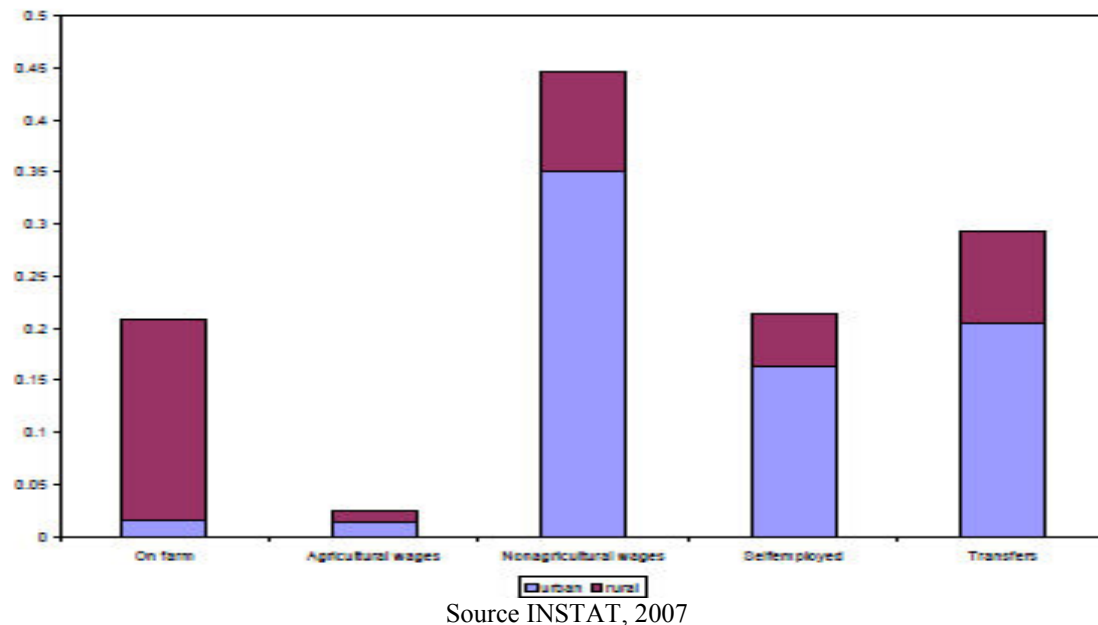
IV.   The forest potential in rural areas

In 1995, the Albania Government, the WB, the Italian Government and the Swiss Government signed the project documents of the Albania Forestry Project (FP). Implementation of the Project commenced in 1996 and after a one-year extension that has just been formalized, the FP is now scheduled to conclude at the end of 2003[3].

Poverty reduction is one of overriding objectives of the FP that in the course of its six years of activities has involved a wide spectrum of the country's population. Qualitative assessments indicate that the project as a whole has had a positive impact on poverty alleviation and that particularly the CFPM component with its targeted interventions in rural areas, has contributed significantly to reducing poverty in very vulnerable areas.

Main findings

From the data collected and analyzed it can be concluded that the FP has had a positive impact on poverty reduction in Albania in those areas where project activities were implemented. This conclusion can be supported in all five poverty indicators, but only in the analysis of the effect on income can there be a clear quantitative result. The average total income of rural households in the project areas amounts to about 130000 Lek. Over 50 % of the households. It makes them very susceptible to risks, as any reduction to their income will affect almost directly their budget available for food. Thus, support to their income (cash or kind) and food supplies are very effective and will diminish their sensitivity towards risks. The benefits obtained through the FP   (income, benefits from forests and pastures and food supplies) can therefore be regarded as very positive for people to secure their basic needs and reducing their risks.

Although this contribution is relatively significant, it is not enough to change the poverty status of the affected families, which remain extremely poor. It is clearly evident however, that the additional cash resources and food supplements are an important contribution that facilitates coping with the serious problems caused by poverty. One such benefit is that the additional resources enable the families to also consider health care and education needs. This confirms that the FP is able to help the neediest segment of the rural population and as is fulfilling its poverty reduction objectives particularly through CFPM component. That the institutional strengthening, sustainable forest management and protected areas management component also support the poverty reduction objective is also event from the survey. The FP has been very supportive in promoting the transfer of state forests and pasture to the communes for management. Through the improvements of management capabilities at the communal levels, local government and the participating households a more effective partnership with the DFS has been formed, which allows active involment and decision-making by all stakeholders. This process,

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[3]Effects of the Albanian forestry project on poverty reduction. A study carried under the Albanian Forestry Project: FAO-TA Project GCP/ALB/004/ITA, Albanian government, word bank, the Italian government and Swiss government, world food program member of working group.

however, is still at an early stage and should increase with further decentralization and with strengthening of capacity at each level to meet the technical, managerial and administrative requirements.

There is a certain optimism among the stakeholders in the forest sector particularly as the terms of future benefits obtainable from the forest and pasture resources. Closer analysis however shows that this optimism rests on the assumption that the government of Albania continues to invest into the sector after the completion of the FP. Indeed, achieving these general expectations, the efforts towards sustainable forest and pasture management have to be continued. Building on current achievements, the government and the donor community have to provide well-targeted financial and technical support to the forest and pasture sector for many years to come

V.   Conclusions and challenges

Living standards in Albanian rural areas are significantly lower than those in urban areas. The main dimensions of rural poverty are low income levels per capita, relatively higher incidence of health risks and undeveloped medical services, limited opportunities for good schooling, and insufficient public services. Poverty is higher among those groups for which agriculture is the main source of income. Poverty reduction is closely linked with agricultural production growth, as a main source of income, but also with non-farm employment. Therefore farm modernization and diversification into activities that generate income in rural areas (development of agro-processing, services, trade and artisanship) will be the main directions. Rural poverty reduction also depends on farm product quality and the promotion of products with high added value (fruit and vegetables) which will make farms more competitive, their products more demanded, and will lead to a growth in farm incomes. There is sufficient potential in rural areas. This includes favorable natural conditions and geographical position, relatively educated population, still including many young people, traditional farming skills, a strong local culture, optimistic perspectives for improvements in energy supply, and serious commitment to improve rural physical infrastructure (roads and water systems).

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