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WHY AGRICULTURAL POLICIES FAIL AND TWO CASES OF POLICY FAILURES IN ALBANIA

Purpose. *The purpose of this study is to identify the causes of economic policy failure in general and agricultural policy failures in Albania in particular. At the same time, the very concept of policy failure is a matter of our interest. To achieve our goal, we have conducted a basic literature review. The most important aspect of interest in the study is the investigation of two cases where agricultural policy in Albania has failed.*

Methodology / approach. *To conduct the study we use several methods: a review of general literature in relation to government policy failure; review of specific literature regarding farm size and cooperation; review of national policy or strategic documents regarding agricultural and rural development in general and farm size and cooperation in particular; review of national statistical evidence about farm size and cooperation in Albania, and data from international sources such as The Global Economy.*

Results. *The study is based on the widely recognized evidence that the concept of failure is multidimensional and not uniquely defined. The study contributes to identifying and summarizing some of the main causes of policy failures. Government policies generally fail when intervention leads to inefficient allocation of resources and an overall decline in people's well-being when they do not increase production, productivity, or revenue, or when society does not achieve the policy objectives set. Policy failures are generally related to the weakness of institutions. Institutions are weak when they fail to perform effectively the three basic functions that are commitment, coordination, and cooperation. In the case of agricultural policies in Albania, the study analyzes the extremely low level of collective action and the small size of farms, which has remained almost the same and fragmented throughout the 30–year period of economic and social transition. Strong institutions responsible for drafting and implementing legislation and developing policies, characterized by the professionalism and high performance of their staff, are the only guarantee for achieving the policy objectives for sustainable agricultural development and accelerating the process of Albania's integration into the European Union.*

Originality / scientific novelty. *The literature points out that: (1) government effectiveness, (2) rule of law and (3) weak control of corruption are the root causes of all policy failures, including agricultural policy failures. We analyze the data on these indicators for Albania and some other countries in the Western Balkans region and try to draw conclusions about their impact on the two policy failures we are interested in, which are the serious lack of collective action in the agricultural sector and the small size of farms in Albania. No previous research has been focused on agricultural policy failures, at least in Albania.*

Practical value / implications. *The study may be useful for the discussion and evaluation of the impact of policies, and performance of related institutions in Albania. It emphasizes not only the need of reforming these bodies but also suggestions for future research on policies and their effectiveness*

in Albania and beyond.

Key words: *agriculture, policy, corruption, government, effectiveness.*

Introduction and review of the literature. Agriculture is an important sector of the Albanian economy. It provides about 18 % of GDP and employs about 41 % of the country's workforce. In the period 1997–2018, agricultural GDP has increased by about 4.2 % annually in nominal terms or 2.44 % in real terms. There are more than 350,000 farms operating in Albania with a size of about 1.26 ha with an average of 4.7 plots. Both farm size and the number of plots per farm has not changed much over the years [1].

The literature evidences problems in relation to the competitiveness of Albanian farms [2], market access [3; 4], but also regarding the low productivity of labor and land [5; 6]. Regarding the availability and use of agricultural inputs, Albanian agriculture is characterized by problems with irrigation, drainage, quantity, and quality of inputs used [7], access to credit as well as availability and quality of advisory services. In terms of social capital, Albanian agriculture is characterized by a low level of vertical or horizontal cooperation [8]. Moreover, Albania is characterized by high fragmentation of farmland and researchers believe that this is a reason for low farm productivity, though it seems to be not supported by all empirical evidence [9]. Both small farm size and fragmentation may have a critical influence on the level of commercialization and the degree of subsistence character of farming in Albania [3].

These problems are related to the strategies and policies of agricultural development, and not only of agricultural ones, in terms of how adequate and effective they have been to address the problems of agricultural development. Therefore, this situation requires serious analyses to identify the development gaps, by firstly accepting their existence not only in the technical aspect but above all in the political aspect, in the sense of potential failures and related responsibilities, as well as the need to address them in a rapid and effective way.

In our research, we focus on two major problems: the small size of Albanian farms and the low level of cooperation between farmers. We want to highlight and identify the dynamics and progress made towards increasing farm size and cooperation and conclude whether or not government agencies failed in both of these aspects.

When does a policy fail? Although A. Smith [10] believed in market mechanisms and evaluated them because he was a free market lover, he also acknowledged some of its limitations. The government, or "sovereign" as he put it, performs tasks such as national defense, justice and public works (roads, waterworks, schools, etc.), and public institutions. If they were produced by the individual then benefits would not be because at the individual level they would be lower than the costs [11; 12]. The state, therefore, should intervene in the economy via various economic and social policies. Agricultural and economic policies, in general, are expressions or instruments of government intervention in the economy in general and agriculture in particular.

However, just as the market has its failures, so can the government fail in its interventions. Failures in development policies are common and ubiquitous events.

Therefore, it is not surprising that sometimes government interventions are ineffective, unequal, and biased [13].

But what do we mean by policy failure? There is no a unique definition of policy failure, and different authors look at it from different perspectives. Some authors argue that imperfections of government can be called its failures [14]. Other authors argue that we are dealing with a government failure when a measure of governmental economic policy, or even government inaction, worsens the market distribution of resources while reducing also economic well–being [15]. Government fails when its intervention leads to inefficient resource allocation and an overall decline in welfare [16]. On the other hand, it is often said that policies fail because they do not boost production, productivity, or revenue [13], in other words, failures are related to production, productivity, and revenue. Further, policies are considered to have failed when the expenditures made under them are inefficient, but also when they simply do not achieve their objectives.

The failure or success of a policy is determined by the established rules and the respective transaction costs and the reaction of key actors to these policies [17]. Often, government interventions in the economy, in the case of agriculture as well, can be very costly in terms of administration and implementation, as much as they can reduce or completely eliminate the benefits from the programs or policies. In this case, they can be qualified as failures [13].

Some authors think that policies are not a failure in themselves; it is increasingly accepted that policies do not fail because of them, i.e. inherently, but because of the process of their implementation [18].

What are the main types of intervention, or roles that government can play in the economy through its policies? Different authors put it in different ways but the differences between them are generally not much distinctive. According to neoclassic economists, the tasks of government are allocation, distribution, and stabilization [12]. Government, in general, can be involved in four types of social or economic activities or interventions: supply of services, taxation, subsidizing, and regulation of the economy [19]. The consequences of this intervention can be evaluated on the basis of allocative efficiency, efficiency X (efficiency X is maximizing production at the lowest cost even if markets are imperfect), and egalitarianism (equity) of the intervention results. The role of government lies in allocating resources, distribution or redistribution, creating legislation, protecting the country, subsidizing and taxation, lending, regulation (e.g. food security and safety, protecting the environment), purchasing goods and services, redistributing transaction income, and various payments [20; 21].

Referring to the agricultural sector, it can be said that government intervention in agriculture is motivated to some extent by the so–called "farm problem", according to which farms have low and unstable incomes [12]. Some of agricultural policies that governments can implement to foster the agricultural sector are the rehabilitation of the irrigation system, the promotion of collective action among farmers, and the subsidizing of prices of agricultural products. It is extremely important to understand, however, that subsidizing prices to fall below market levels, to stabilize them at levels that are away from real production costs or marginal social costs, might not increase the allocative efficiency [22]. Then, if price subsidy mechanism fails to increase the efficiency it can be considered an unconscious policy failure. However, it also depends on what the policy objective has been. If pricing policy has had another objective, rather than efficiency, then it may not be called a failure. Nevertheless, in the case when government intervention aims at the regulation of production and its distribution (e.g., by fixing prices, quantity ceilings, or specific requirements relating to the quality of goods) the efficiency of the program could not be achieved because regulation can be captured by producer groups or lobbies [22] and in this case, the policy may fail. In another case, by raising taxes the government may promote the gray trade or tax evasion [23], and here failure can be a fairly obvious product of this policy, so much that the effectiveness of the policy itself can be questioned.

The degree of policy failure is a problem in itself. The degree of failure of a policy is an empirical rather than a theoretical issue [19], so it can simply be assessed by empirical methods. On this basis, we are able to discuss the extent of the failure or the negative consequences that may have resulted from the policy failure.

Why government policies can fail? Reasons or causes of policy failure are numerous and sometimes very complex. The debate on this topic is wide and different authors bring their perspectives and arguments.

Failures may occur because policy outcomes are often unpredictable; the goals of the interventions often are not or cannot be clearly stated; enforcement or negotiation systems are often too complex and may not work; government control over enforcement agencies is often inadequate; laundering transaction costs (such as administrative costs), and the propensity of politicians to pursue their own rather than the public interest [20]. A real cause of policy failure could be the pursuit of political self-interest by politicians and civil servants that are charged with drafting or implementing policies, which can result in serious implications regarding the resource distribution and use. Other reasons, as literature highlights, are pressures by stakeholders, failure to conduct cost-benefit analysis properly; political myopia, which means that politicians see more short-term interest in politics and prefer quick solutions to difficult problems by neglecting analysis of long-term effects; regulatory capture, i.e. when policies or regulations are made in the interest of certain groups without considering the interests of other groups [23].

According to the World Bank, failures in development policies, including the agricultural ones, are related to the degree of the effectiveness of the policies. Policy effectiveness has three determinants: commitment, coordination, and cooperation. If the institutions do not perform well these three functions, then the effectiveness of the policy will be low, so the policy may fail [24]. Commitment as a failure determinant is about supporting policies over time so that promises can be kept. Commitment to providing public services affects the degree of cooperation of people or their groups. Coordination is about shaping expectations to enable complementary action. Coordination is very important, especially in developing countries, to foster investment and innovation. Cooperation is about limiting opportunistic actions and preventing free-riding, a phenomenon that has to do with people's unwillingness to contribute or their tendency to avoid paying for goods, public services, or taxes. Cooperation between development actors must be sustained over time. Some factors that make cooperation sustainable over time are the stability of the bargaining power of the actors, the low probability of strong shocks or changes, transparency, the actors' confidence in the effect of the policies, as well as the structural connections of the actors. Equal opportunities for all individuals for benefits, services, such as services for health, education, employment, promote businesses and the cooperation of different individuals or groups of individuals and reduce free-riding [24].

The relative political power of the actors, the so-called asymmetry of power, has great implications in terms of who wins and who loses from politics, but also in the capture of power and clientele. This can restrict to a large extent, or vice versa, empower the factors of the policy effectiveness, i.e. can greatly influence its success or failure. Exclusion from the policy of individuals or groups of individuals who have or show any interest in development problems can also have serious implications for their outcome [24].

The initial stage of the policy-making, policy design, could have serious implications in the policy success or failure. As literature points out, the policy making could be improved, by participation, by enhanced dialogue and focused education [25]. Participation in policy or policy-making depends not only on the power of the actors but also on the barriers that may exist to participate in the policy-making process. If people or groups of people are prevented from participating, they will challenge the political process and may reduce its effectiveness. Participation in the policy process and policy co-ownership can increase the willingness of people or their groups to obey policy measures voluntarily. Otherwise, policies can also have the opposite effect of what is expected [24].

The reasons for government failure can be limited information, limited government control over the consequences of its actions, limited control over the bureaucracy, restrictions from political processes (lobbying, pressure from interest groups, etc. [21]. The failure also comes because the public sector is less efficient than the private one. This is due to the differences that both sectors have in incentives and constraints, either at the individual level or at the level of organizations or companies.

As literature highlights, the causes of the failure of government intervention in the economy can be also myopic regulation, or regulation in one aspect regardless of domino effects or the effects of policies in other aspects; high costs of regulation related to the implementation of interventions and behaviors imposed on the individual as a result of interventions; inadequate or costly methods chosen by the government to carry out the adjustment; myopia and ignorance of voters, who prefer and better understand short-term benefits and do not fully understand complex policies and their effects, especially long-term ones; public sector employees are less productive than those engaged in the private sector.

Some authors emphasize the important role of information in the failure of government policies. Often, policies are adopted in the absence of complete information. Lack of information limits the government from making objective decisions [13]. As literature points out, there is a law called the law of unintended or unannounced consequences. According to this law, the actions or interventions of the government have unintended effects as well. But the unintended consequences when it comes to government intervention programs can increase the costs of programs by making them very costly in relation to the real needs calculated based on their initial objectives [13], thus reducing their efficiency and leading these programs to failures.

Other reasons for a policy failure are the lack of motivation to increase profits, reduce costs and increase the efficiency of the people working in the public sector, the large bureaucracy in this sector, and the conflict between the political and economic interests they have. Two directions on how failures can be avoided in these cases are the introduction of incentives for benefits and introduction of performance indicators for employees in the public sector, ensuring that competition in tendering is based not only on the most economical or lower offer but ensuring at the same time that service standards are met [17]. A major cause of government failure could be the dynamic nature of the policy-making process that the incumbent government cannot commit to measures that have to be adopted by the next government [15].

Another source of government failure is uncertainty about the consequences of policies. This may be due, as in the case of economic policy measures taken under asymmetric information, to the inability to predict the future impact of economic policies that are adopted now. One lesson to learn in this case is that in order to be effective, economic policy measures have to be well-defined [15]. It should also be borne in mind that government policies can be limited in their effect and can also worsen welfare due to the complexity of economic measures, which can be difficult for public opinion to understand. Simple policies are easier to explain and more easily approved by the public.

In a more interdisciplinary setting, taking into account laws, institutions, and the economy, the theory of government failure has recently been enriched arguing that this may be due to inefficient drafting of rules for the economy functioning. This could be too specific, or too broad, arbitrary, unfair, and in conflict with other rules the government has issued to address other (perhaps even uneconomic) issues [15; 26].

Other authors [18] formulate reasons of policy failure somewhat differently. There are four important sources of policy bankruptcy: overly optimistic expectations for policy results, distributed governance (distribution of roles or responsibilities) in their implementation, non-cooperative policy-making, and unexplained changes in the policy cycle. Contributors of over-optimism are complexity (underestimating supply challenges); evidence base (insufficient, non-objective, inaccurate, and out-of-date information on costs, deadlines, benefits, and risks); misunderstanding of stakeholders (optimism about the ability to approximate different views); behavior and incentives; challenge and responsibility (decision-makers might seek short-term effects).

Regarding distributed governance, an example would be the policy where central and local government can share certain responsibilities, e.g. for the rehabilitation or maintenance of the irrigation and drainage system. Regarding sudden and unexplained changes, we can mention the tendency of politicians to be irresponsible for policy outcomes because they know that, usually, they can leave office without consequences in case of policy failure. As a result, more and more politicians are prone to short-term policy effects. The way to limit over-optimism to the solution is the good preparation for the implementation phase, which would result in better policy-making. To limit the negative effects of the distributed (e.g. decentralized) governance the solution is to prioritize tasks or responsibilities and track them down, which would lead to better policy monitoring. To make the policy more cooperative, the solution is to support implementation, which would result in better policy impacts. To limit the negative effects of unexpected or unexplained changes the solution is to review implementation, which would result in better policy learning. Harford emphasizes that it is already clear that institutions are important for the development and reduction of poverty, and they are the key to understanding poverty in developing countries. Nevertheless, it is difficult to transform a bad institution into a good one. Corruption is also an important factor, but unfortunately, as he points out, it is not easy to change a corrupt government [27].

The causes of policy failure in the agricultural and rural sector may also be inefficient governance, poor policy-making (also due to pressure from farmers' associations or organizations, restrictions and bureaucratic and procedural burdens on the application, strict criteria needed to fulfill in order to be eligible to apply, etc.), as well as the pressure from dominant actors at the local level (e.g., on how funds are allocated) [17]. According to a study analyzing in the case of Cameroon, the factors of agricultural policy failure can be divided into three groups: (1) natural factors (such as price fluctuations, epizootic diseases, rainfall); (2) agricultural policies (such as those on inputs and their prices, mismanagement of funds due to operational weaknesses, financial difficulties); (3) population–related factors (rural exodus, land problems, sociological factors such as lack of collective action, etc.) [28]. Some of these factors may be present in the case of Albania too.

The civil society has to play a critical role to avoid policy failures. Its role is welcomed, as literature highlights, in several aspects, such as ensuring institutional accountability and transparency regarding the monitoring and management of public finances, and enhancing public participation in the design and implementation of rural development strategies [25].

The purpose of the article. The goal of this study is to contribute to the analyses and recognition of agricultural policy failures, focusing on two of them: the lack or weak collective action in the agricultural sector and the very small and fragmented farms, by suggesting ways to improve the situation.

Material and methods. To conduct our research we used the following methods:

- review of literature on government policy failure;
- review of national strategic policies/documents regarding cooperation between farmers, or farm size;
- review of statistical evidence on farm size and cooperation;
- descriptive statistics and graphical display.

We used statistical data on farm size over the years, data on the number of farmer organizations in Albania, as well as data from international sources, such as The Global Economy.

Results and discussion. The Albanian agricultural policy has not have been immune to failures. In almost 30 years of transition, it has failed in achieving several of its objectives. Some of them may have achieved but at a high cost, or they may have fostered or created inequalities between groups of farmers, or between different areas of the country. Thus, two obvious failures of Albanian policy, which we believe are not the only ones, are weak collective action between farmers and very small farm size not changing over time.

Failure 1: Weak collective action between Albanian farmers. Collective action between farmers (horizontal cooperation) and cooperation of farmers with other actors-companies or organizations along the value chain (vertical cooperation), is considered an important factor to increase farmers' bargaining power and access to the market. This is more important in the case of very small farmers, as they are in the case of Albania [29]. Cooperation helps farmers to negotiate more favorable prices and conditions in selling their products and buying agricultural inputs. But not only that, among other things the cooperation can also facilitate farmers' access to credit, investment and advisory services they need to produce, sell, storage, and process their products. Cooperation can also facilitate innovation, introduction of new techniques, technologies and/or production methods. All this can foster their capacity to compete and be successful in the market.

Baldwin and Wyplosz [30], while analyzing the market competitiveness of countries in transition towards the EU integration, and 'desirable' anti-competitive behavior, emphasizes the importance of fair public policies that increase competitiveness, instead of unfair policies (e.g., subsidies) that may reflect simply the interests of the stakeholders involved in the agricultural production or trade, or the lack of professionalism. These unfair policies can make companies more dependent on aid (e.g. subsidies) instead of increasing their market competitiveness. When they change (e.g. when the policy cycle changes), companies that have previously been somewhat competitive leave, *de facto*, the market because of their worsened competitiveness.

Research asserts the presence of anti-competitive behavior and the worrying lack of cooperation between farmers and other actors in the value chain in Albanian agriculture [8]. Studies have shown that the conditions for the cooperation to begin and improve after the fall of communism in Albania have existed and still continue to exist, but policies, programs, and measures to support cooperation have not been sufficient or appropriate [31].

The legal framework for cooperation in Albania mentions three different types: mutual cooperation companies, non-profit organizations, and agricultural cooperation companies. As data show, horizontal cooperation between farmers in Albania is at a very low level. In 2016, for which data are available, there were operating 179 farmers' groups (NGOs) in total with 3366 members. In-group interaction between farmers has occurred in two other ways: agricultural cooperatives and mutual cooperation societies

(MCS). Across the country, there were 21 MCS with 1488 members and 19 Associations for Reciprocal Cooperation (RCA) with 260 members. According to [32] the total number of members in these groups is 5114 and presents a very small proportion of the total number of farms (Figure 1).

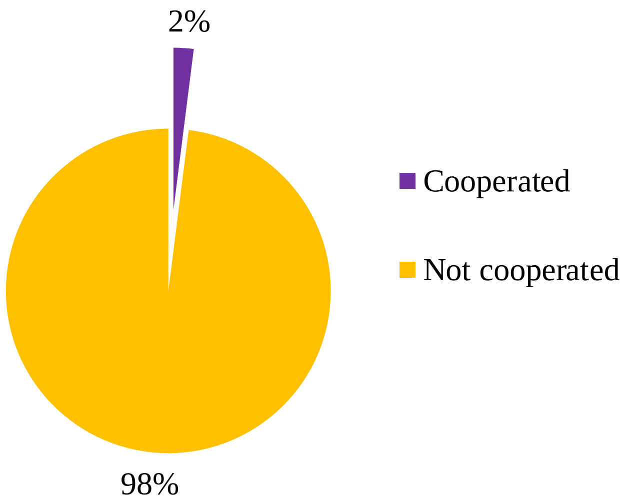

Figure 1. Cooperated *vs.* non-cooperated farmers in Albania

Source: [32].

Other studies show that factors that discourage cooperation among farmers are many: insecurity regarding private property, weak rule of law and high level of corruption, old mentality on cooperatives, lack of drivers to get out of the status-quo; lack of loans or high loan interest rates [6; 33]; lack of awareness of farmers about the benefits that could be derived from cooperation; high prices of agricultural inputs (e.g. there is no production of basic inputs in the country); lack of skills, technical and managerial knowledge and poor legacy [2; 34], the underdeveloped mentality of farmers to working in groups, farmers' adverse attitude and disbelief towards the role and benefits of cooperation, this due to but not only negative cooperation experiences in the past communistic regime. There are also opinions that public policy has not been serious and not at all active in favor of cooperation [32].

Poor interaction between farmers and agricultural development institutions is a key factor for the underdevelopment of cooperation and not the only one. Public advisory services, as one of the instruments for promoting cooperation, are scarce and unprofessional and do not respond to the needs of farmers [33]. Other research also emphasizes that main factors, which affect the willingness of farmers to cooperate, are farm size, availability of irrigation, production volume, and business climate [13; 35].

In our experience, there can also be a range of other factors that have influenced the actual situation of collective action between farmers. Among them could be the inefficient, incomplete, or delayed legislation framework on cooperation (for example incomplete secondary legislation such as decisions to be prepared and issued by the Council of Ministers, regulations, etc.); dispersed farmland property in many small, sometimes extremely small, plots as a factor contributing to limited initiatives and stimuli for cooperation among farmers; lack of substantial and continuing state financial support for farmers to motivate them for collective action concerning production, financing, and marketing (for example participating in common investment projects for the production, storing, sale of products or buying of farm inputs).

Failure 2: Very small and fragmented farms of Albania. Land reform carried out (based on the law No. 7501, July 1991) resulted in small farms and fragmentation into many small plots, often far from the farmer's residence, which also led to the fact that the land remained unused [36]. As a result of the reform, about 480 thousand small family farms were created with 1.8 million plots and with an average size of plots of 0.25 ha.

Currently, 80 % of the total area of agricultural land has passed into private ownership, while 20 % has remained in state ownership. The average farm size changed slightly over the years. In the mid-90s the average farm size was 1.05 ha with 3.3 plots per farm. In 2011 there were 388697 farms with a size of 1.26 ha with 4.7 plots with an average of 0.27 ha [9]. The average farm in Albania gradually increased from 1.04 ha in 2000 to about 1.16 ha in 2014 [30, cit. INSTAT, 2012, 2017]. Figure 2 indicates the dynamics of farm size over years. No data on actual farm size are made available from the official sources (INSTAT). Because of this, usually, researchers tend to refer to 2012 or 2014 data when they need to discuss farm size. In our research, the farm size for the year 2020 is our very optimistic forecast.

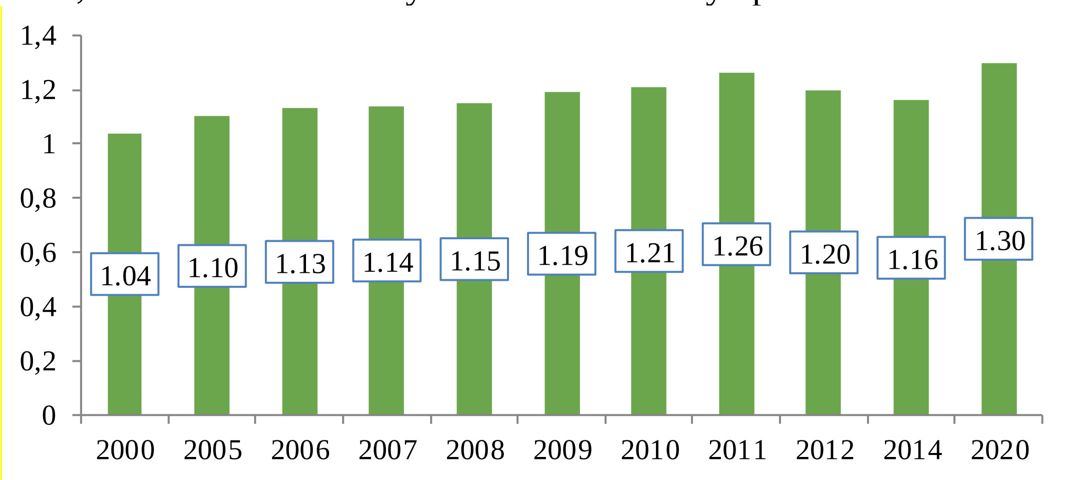

Figure 2. Farm size dynamics in Albania, ha

Source: [37; 1].

Table 1 indicates that Albanian farms are not only small in their average size but that the majority of them or about 67 % of farms are less than 1 hectare in size and only 9.3 % are bigger than 2 hectares.

Table 1

Farm structure by size in Albania

Farm size	Number	Percent	Cumulative
Up to 1 ha	215034	66.9	66.9
1–2 ha	76550	23.8	90.7
2–3 ha	20073	6.2	96.9
3–5 ha	6299	2.0	98.9
5–10 ha	1665	0.5	99.4
Above 10 ha	1871	0.6	100.0
Total	321492	100	-

Source: [1].

Albania has the smallest farm size in the region, actually less than 1.3 ha. In 2013, Macedonia had a farm size of 1.85 ha; in 2016 in Slovenia, it was 6.9 ha. In 2014, Montenegro had 6.3 ha, Serbia – 3.7 ha, Romania – 3.6 ha, and Greece – 4.8 ha [38]. In Kosovo, farms with a size of less than 2 ha occupy only 25 % of the total agricultural land of almost 200 thousand ha [39]. According to INSTAT [1], there were about 352315 agricultural families in Albania, where the average area of land owned by each family was about 1.16 ha. About 46 % of farms had an area under 1 ha, while 86 % of them were under 2 ha [40]. It is interesting that, despite the increase in farm size, the number of parcels for a farm in Albania did not change; the number of parcels for a farm remained around 4.6 and the parcel size ranges from 0.20 ha to 0.30 ha without any clear trend over time [30].

Politics wanted and indeed supported overly optimistic, perhaps utopian, forecasts, given the complex challenges of increasing farm size over time. Table 2 below shows that government agencies covering the agriculture sector expected that by the year 2010 there would not exist farms less than 1 hectare at all, and farms bigger than 3 hectares would constitute about 40 % of all farms.

Table 2

Farm size and structure in Albania as expected

Year	Farm size	Percent
2000	0.1–2 ha	90 %
2010	1–3 ha	60 %
2000	2–5 ha	9 %
2010	3–8 ha	30 %
2000	>5 ha	1 %
2010	>8 ha	10 %

Source: [41].

Figure 3 below shows the actual and targeted farm size for the years 2013 and 2020.

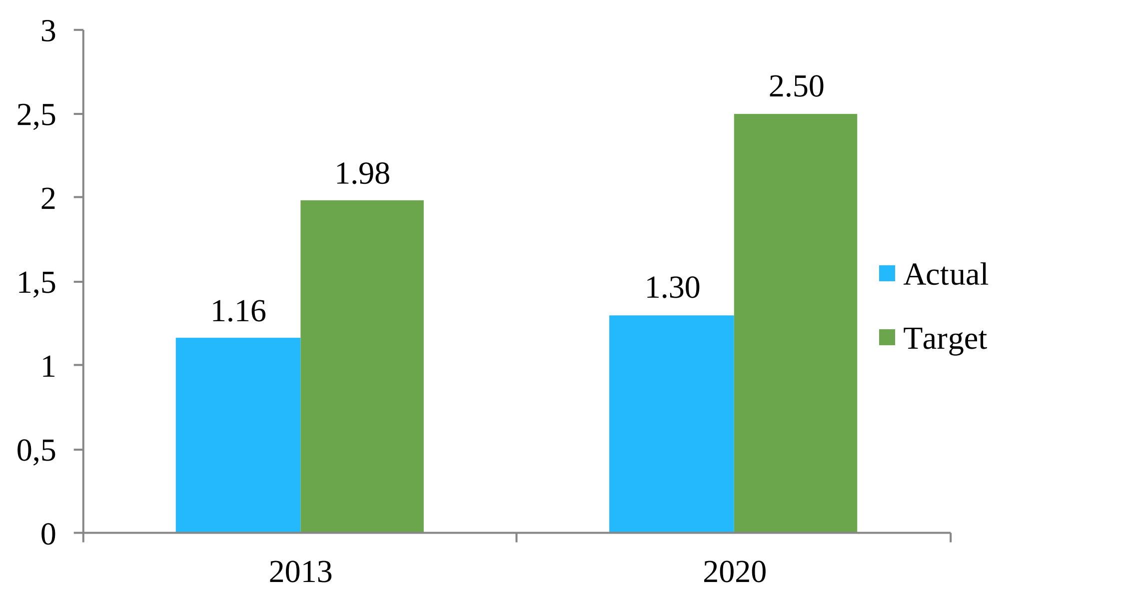

Figure 3. Actual and policy-targeted farm size in Albania

Source: data from [42; 43].

According to the cross–sector strategy of rural development 2007–2013, the farm would increase from 1.1 ha in 2007 to 1.98 ha in 2013, while the strategic objective of the Inter-Sector Strategy for Rural and Agricultural Development 2014–2020 was increasing the size of the farm by the year 2020 to at least 2.5 ha [43].

It is difficult to understand why these predictions were so unrealistic, or how little support this objective obtained in the context of agricultural policy. Small and almost static farms in Albania are already for so many years an undisputed reality. Despite the fact that three decades have passed since the beginning of the reform, the farm continues to be small and fragmented, as a result of reforms carried out but also missing or ineffective development policies, with significant consequences in the underdevelopment of the land, products and inputs markets, as well as the lack of horizontal or vertical cooperation.

There has been and still is a debate, even internationally, about the economic effects of the small farm size. Economists and agricultural specialists in Albania think that small farms brought consequences regarding the volume of the production, but also regarding land degradation and non-use of adequate technologies, etc. [9]. The small farms along with the lack of controls on the quality of inputs and agricultural products, the underdevelopment of marketing channels (due to lack of trade knowledge and market information), are seen as strong reasons for the low degree of competitiveness of Albanian products [44]. Although there is actually a debate as to whether smaller farms are less productive or less efficient than larger ones, larger farms have some obvious advantages over smaller ones. Such are the advantages of benefiting from economies of scale, and the preferential access to markets for agricultural products and inputs [45, cit. Hall and LeVeen, 1978].

As literature points out, small farms are one of the reasons for the underdevelopment of the market of agricultural products and inputs because smaller farms are at a disadvantage compared to larger ones in terms of access to markets. During the Albanian transition, the low level of productivity in agriculture was justified by the fragmented farms, seen as an obstacle to the mechanization of works, effective consulting services, better access to credit and new technologies, as well as poor rural infrastructure [44].

Albanian farms usually have low economies of scale. However, economies of scale can affect farm productivity [45]. The low rate of production, below what is called the "critical mass" associated with the small size of the farm, can also be a limiting factor to reach the market and thus can be a limiting factor to the farm competitiveness. However, the literature shows that there are ways to reduce the negative effects of small size. Lerman [29] points out that contract farming can be one of the ways in which market access disadvantages for smallholders can be alleviated through agreements with large processors, traders, or input suppliers. Even horizontal or vertical organization (cooperation) is one of the best options that small farmers can use to compensate for the so-called "curse of smallness", i.e. the disadvantages they have because of being small.

According to [29], in terms of trade, farms sell less than 30 % of production. Even data from INSTAT [1] show that average production sales fluctuate around 30 %. While the World Bank points out that the retail system is highly fragmented and poorly integrated with the wholesale system [46]. Other data sources reveal even more pessimistic figures. Small farms (with an average of 0.5 ha) sell 12 % of production, while those with an average size of 1.6 ha sells 16 % of production [47]. Regarding sales markets, about 55 % of farmers sell in the local market while 54–61 % sells informally. In the value chain, the Albanian farmer has a passive position, due to the lacking negotiating power and asymmetry in information. In the value chain, the farmer does not enable the creation of added value for his/her own benefit. This situation is also affected by the weakness of activities at the farm level in relation to the storage, post–harvest handling, and processing of agricultural products.

Farm fragmentation has been shown to have a negative effect on both farm productivity and efficiency [29]. Misuse or inefficient use can also come from poor farm management capacity. Small farms, such as those in Albania, are to a large extent at a disadvantage compared to larger farms also in terms of the availability of machinery and equipment. Although, the solution to this problem is known, it is the widespread use of machinery rental services or the creation of groups of machinery for shared use [29]. As we mentioned above, according to the Agricultural Extension Strategy 2001–2010, small farms in Albania would be reduced very quickly in their number. Besides, farms under 1 ha would not exist by 2010. In 2010 farms with more than 3 ha would occupy about 40 % of the total number of farms and those over 8 ha with about 10 % [41]. However, small farms still today make up the vast majority of the number of farms in Albania and these objectives have not been achieved, not to mention that the reality is far from these objectives set almost two decades ago.

We can argue that a major cause of very small farms created by the land reform in Albania is the legislation adopted for the distribution of the agricultural land; the land was given to all agricultural families that before reform used to work in the agricultural cooperatives based on the principle "land to the tiller". Moreover, keeping in mind that agricultural land is very scarce and the proportion of population engaged in agriculture very high, this kind of legislation had a crucial impact by creating a large number of small farms.

The underdeveloped agricultural land market is another reason of little progress in increasing farm size over years. Reasons for that were and remain insecure property rights; high land transaction costs; agricultural land as a safety net; delays in the compensation of land ex-owners that have contributed not only to not enough secure property rights but also to a negative investment climate, limited opportunities for off-farm employment in rural and urban areas as well, and missing or ineffective policies to meet the strategic targets concerning farm size.

Another factor contributing to this status quo, as literature points out, is that a large part of the agricultural land is not used and the fiscal legislation on the non-use of land, using it ineffectively, or not selling it, is absent or inadequate. This is so for purely political reasons because farmers constitute a large electoral group and this group can determine the loser and the winner in any electoral process.

Major causes of policy failures. As the literature has evidenced [17; 27], failure to increase farm size and promote cooperation cannot be unrelated to the overall institutional “capacity to fail” of a country. We argue that the key indicator that can explain everything for the success or failure of government policies, which improves or worsens every performance indicator, is the trio “effectiveness of governance”, the “rule of law” and “control of corruption”. The magnitude of this trio is related to the weakness or efficiency of law drafting and law enforcement and implementation institutions and development policies in Albania, which hinders drafting adequate policies, reduces the effectiveness of implementation, frequently leads to their failure.

The effectiveness of governance in Albania is expressed in scale (-2.5; 2.5), as shown in Table 3, throughout the transition, beyond the left and right political wings, has been low although some tendency to improve is remarkable. Historically, in terms of this indicator, Albania has been and remains at the worst levels in the region.

Table 3

Government effectiveness

Years	Albania	Serbia	N. Macedonia	Slovenia
2006	-0.52	-0.21	-0.11	0.96
2013	-0.32	-0.09	-0.05	1.01
2019	-0.06	0.02	0.00	1.08

Source: [48].

In terms of the rule of law, Albania is also at a very low level, being the worst in the region as by 2019 data (Table 4).

Table 4

Rule of law

Years	Albania	Serbia	N. Macedonia	Slovenia
2006	-0.68	-0.53	-0.53	0.91
2013	-0.52	-0.33	-0.20	1.00
2019	-0.41	-0.12	-0.24	1.12

Source: [48].

The Corruption Perceptions Index in 2005 was -0.79, down slightly from 2013 to -0.7 and a further decrease occurred in 2018 to -0.52, remaining, however, worse than in some other countries of the region (Table 5).

Table 5

Corruption Perception Index

Years	Albania	Serbia	N. Macedonia	Slovenia
2005	-0.79	-0.41	-0.45	0.91
2013	-0.70	-0.30	-0.05	0.73
2018	-0.52	-0.37	-0.36	0.87

Source: [48].

Thus, the very low levels of cooperation in Albania and the stagnation of low-farm-size and fragmentation in an economic environment that is under rapid transformation, among others due to the high degree of cooperation (e.g. economies of scale, social, technological innovation, etc.) are not casual. The lack of cooperation, regardless of the reasons whether it is a consequence of failure to achieve objectives or comes from inactivity or poor governance, constitutes a failure. Because of missing cooperation, farmers and the agricultural sector as a whole have lost many opportunities for development and consolidation, which in detail were outlined above.

Conclusions. Small farm size and lack of cooperation in the agricultural sectors are two but maybe not the only failures of the governments' policy. This can be explained by failures to meet policy objectives, or failure to achieve large-scale cooperation between farmers or along the value chain. The small and fragmented farms and lack of cooperation have brought negative effects to farmers and the agricultural sector as a whole.

In both cases the policy-makers must learn lessons and reflect on the need to improve not only policy design but also policy implementation to foster development and accelerate the integration of the country into the EU. For the reasons analyzed in the study, there could be an appeal for policy makers to learn lessons from former failures to promote cooperation, starting perhaps with a long-term-strategy, properly supported and consulted with farmers but also with other stakeholders, such as input suppliers, agribusiness, banks, universities, etc.

The leaders of the institutions are the determinants of the way they function, i.e., the results and the predictability of the policy results. This would ensure faster and more sustainable development, which in fact is what the Albanian model of development failed to do during the transition. Moreover, the advancement of the integration process requires joint and coordinated institutional responsibilities in the decision–making process, monitoring and implementation. This goes hand in hand with the need to optimize national development objectives and implement the concept of knowledge as a basic input in governance.

Although inefficient formal institutions deprive citizens of their contribution to development and may turn the objective of EU integration into a zero–sum game, we believe that the only and universal key that can change the situation is to build strong and inclusive institutions for the design, monitoring and implementation of development programs and policies.

Strong institutions mean functional independence beyond left and right political wings. They require professionalism, motivation, high staff performance, regular and independent monitoring and quality evaluation of policies.

This study has some limitations. Recent data about cooperation and farm size are not public and officially available. This implies some difficulty in comparing policy objective targets with actual figures, in particular in relation to farm size. The above discussion of farm size and farmer cooperation has ruled out climate change and globalization, which are in fact two difficult challenges that can have serious implications for both confronting and the needing to cooperate for small farmers. In these circumstances, it would be very important to discuss how small, in terms of viability and sustainability, farms could be in the conditions of Albania. The results of this research can facilitate and optimize the entire process and policy actions regarding farm size and cooperation. Furthermore, in our research, we found no evidence of assessments made by government agencies of why they failed to meet the objectives regarding farm size and cooperation, and what they plan to do in the future to accelerate this process. Further research is needed to obtain information on this and to hopefully trigger effective action in this regard in the future.

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