

FOR FORMALISATION OF AGRICULTURE: THE WELL FUNCTIONING OF THE VAT COMPENSATION SCHEME AND PROMOTION OF INVESTMENTS

**MEETING OF INVESTMENT COUNCIL
Tirana, 29 June 2016**

CONTENT

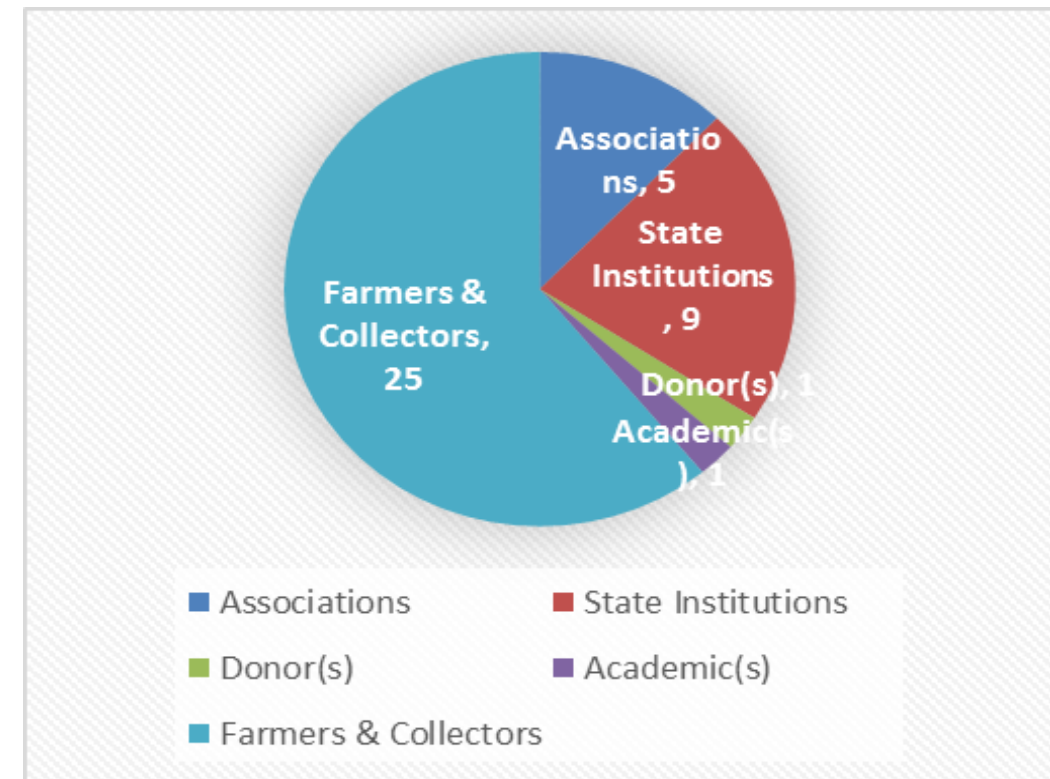
- I. Context, Objective, Methodology
- II. An overview of the Analysis on Farmers Registration with TIN, and Subsidies Scheme
- III. Main Findings and Recommendations

OBJECTIVE OF ANALYSIS AND METHODOLOGY

To highlight the measures for formalisation in agriculture in the perspective of opening and structuring markets, increase food safety and promotion of investments – focusing on VAT compensation scheme and subsidies.

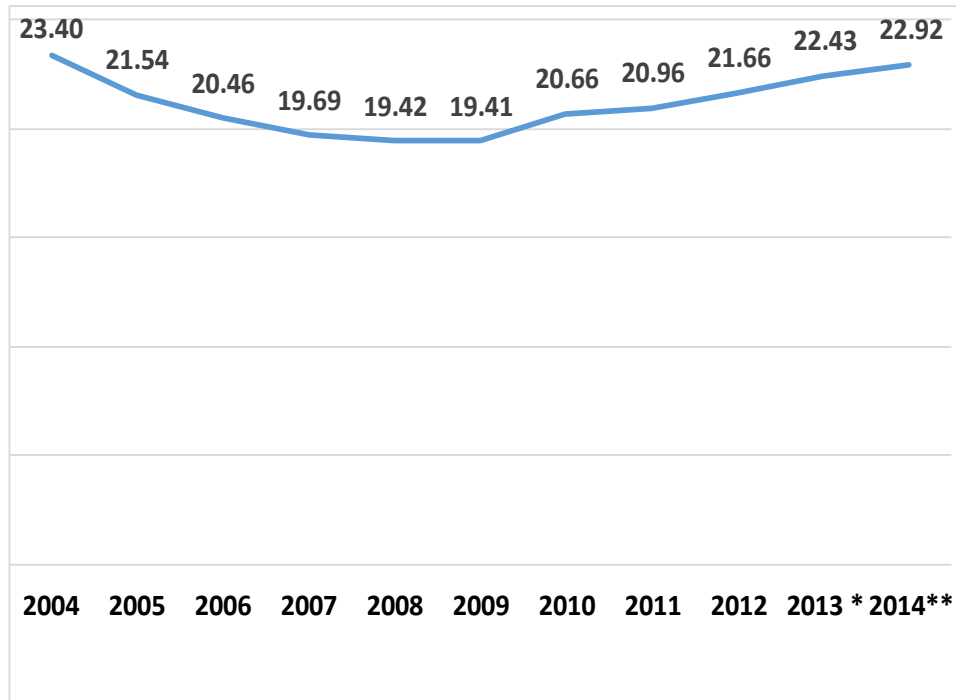
Methodology

- Desk research of concrete initiatives of the Government;
- Over 30 meetings held with businesses, associations, public institutions (MoF, INSTAT, MARDWA, AARD, GTD, NFA), donors, experts based on structured questions;
- Consultation of statistics with INSTAT, GTD, GCD, NBC;
- 2 Focus group meetings with farmers & collectors and agriculture experts.



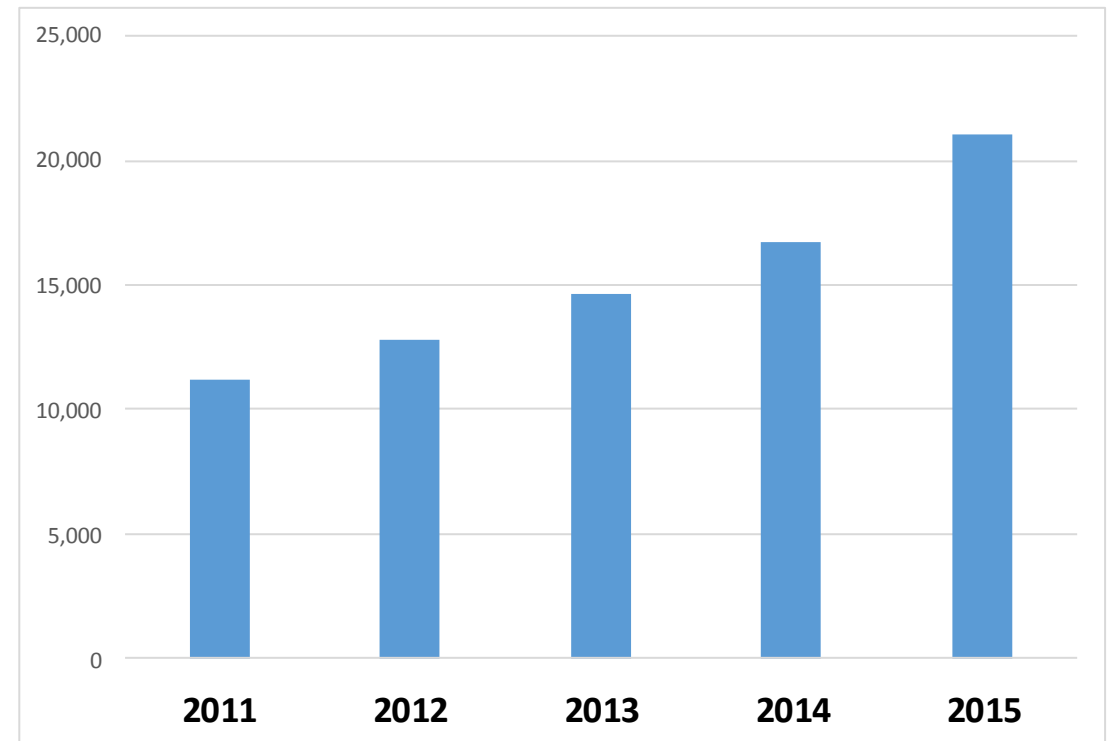
I. CONTEXT – OVERVIEW OF THE SECTOR

Agriculture Contribution in GDP (%)



Source: INSTAT

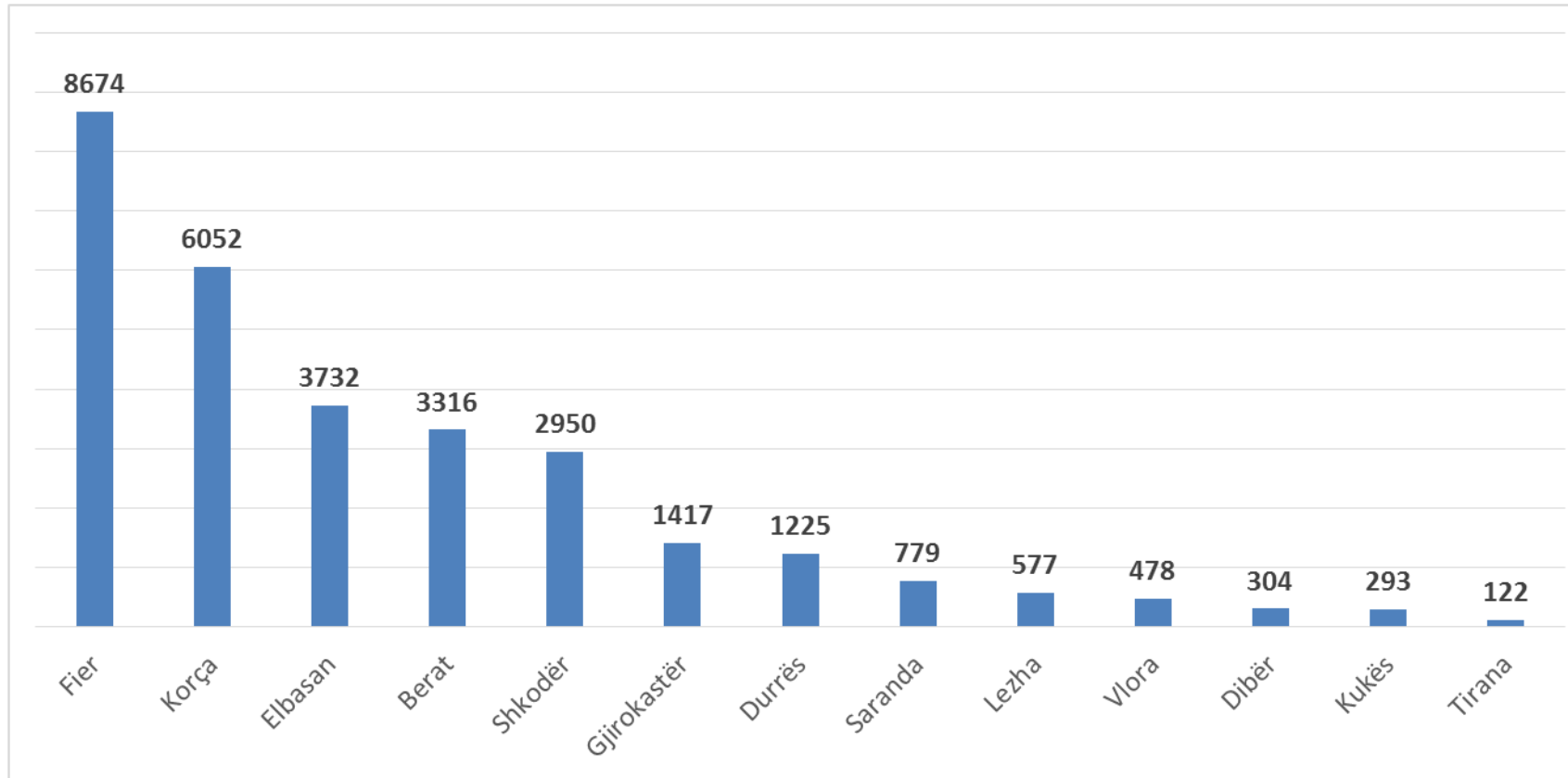
Exports in Food, Beverages and Tobacco (Million ALL)



Increase of exports: 25% in value for “Food, Beverages and Tobacco & 46% in value for “Plants, Vegetables and Fruits”

I. CONTEXT – FORMALISATION OF AGRICULTURE

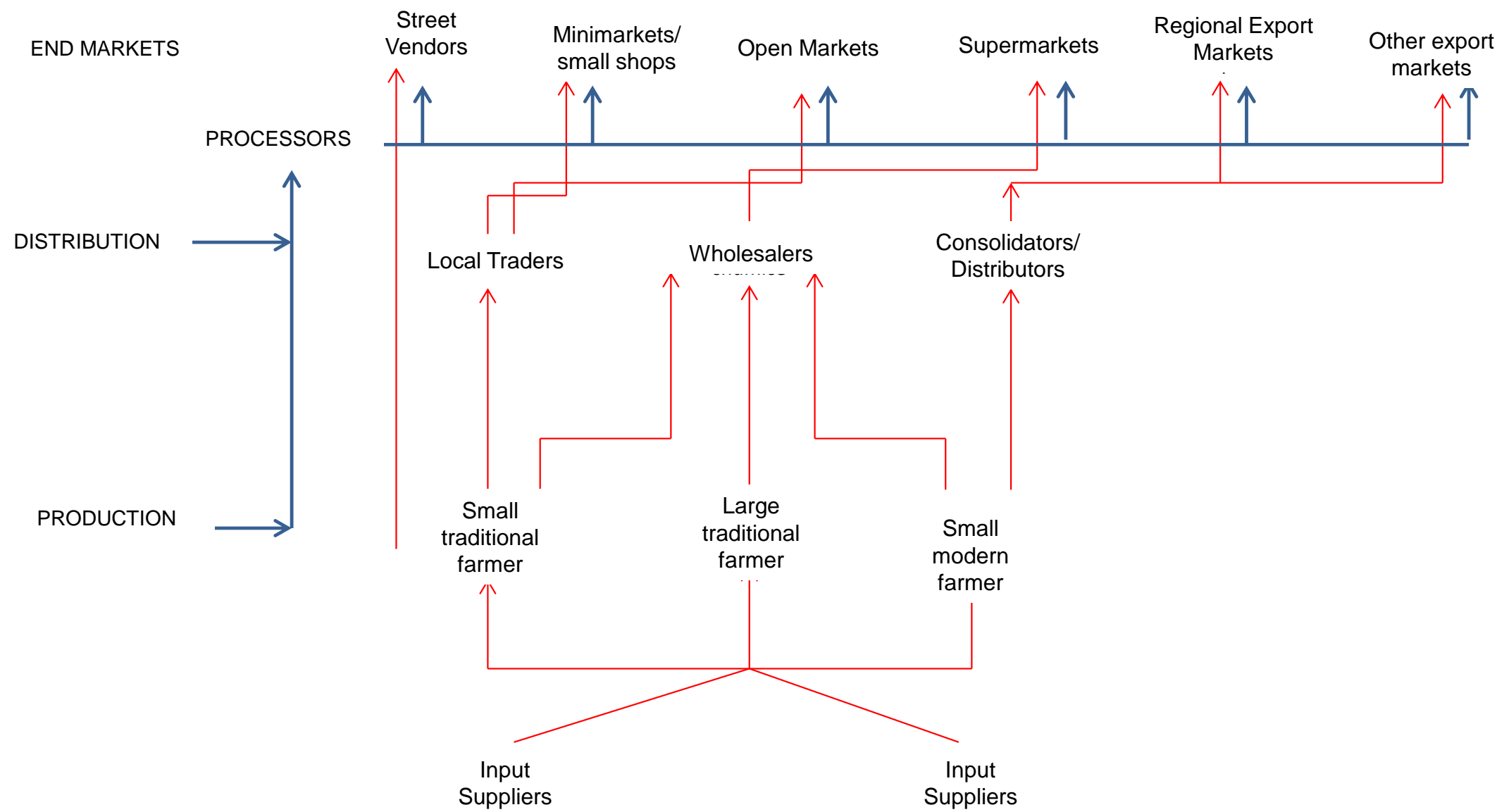
Farmers registered with TIN, 2014-2016



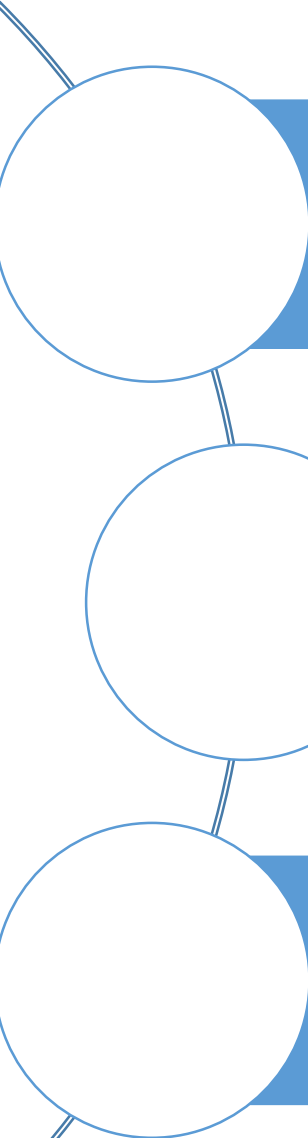
Source: General Tax Directorate

- **29,919** registered with Farmer's TIN
- **627 million ALL** amount of VAT compensation, equal to 30% of subsidies amount foreseen in the state budget for 2016.

CHART OF ACTORS IN THE VEGETABLE SUBSECTOR



Whereas the main discussions are:



The actual market model has allowed informality. Collectors/Processors are leading the process and the informal competition is putting in risk the reform. Should the monitoring start from the end markets?

How to make more progress in the farmer's registration and its relevance with investments in agriculture and supporting schemes?

Safety through traceability from the final product to the inputs. Main inputs of the farmer – a Simple Declaration Form for the farmer activity?

II. VAT COMPENSATION SCHEME

POSITIVE ASPECTS FOR FARMER AND COLLECTOR

GUARANTEED
MARKET FOR THE
FARMER

ALLEVIATED
ADMINISTRATIVE
BURDEN

NO TAX
OBLIGATION FOR
THE FARMERS
(THRESHOLD 5
MILLION ALL)

TRANSACTIONS
(BANK/POST
OFFICE/CASH)

VAT
COMPENSATION
FROM 6% TO 20%

III. FINDINGS & RECOMMENDATIONS, **Decision-making**

FINDINGS	RECOMMENDATIONS
<p>Incorrect data on the farmer's register and its agricultural activity. Confusing for farmers, Farmer Card – TIN – ID – Farm Register.</p> <p>Different perceptions on the beneficiaries of the scheme.</p> <p>Cash transaction limit considered still as low.</p> <p>Difficulties reported on farmers access to financial services</p> <p>Although increased in the last 2 years – budget is limited. Heavy application procedures.</p>	<ol style="list-style-type: none"> 1. Registration of Farm & Farmers. Connection of the Register with TIN and with the efficient system of VAT compensation. 2. Simplification of subvention schemes for farmers enabling support even when submitting the auto-invoice. 3. Remains subject of discussions and review after a period of 1-2 years from implementation. 4. Simplification of the procedures (criminal record certificate, NRC extract, insurance, etc.). Simplification of the procedures for construction permits for the agriculture sector.

III. FINDINGS & RECOMMENDATIONS, **Administration**

FINDINGS	RECOMMENDATIONS
Food safety in the whole value chain.	1. Formalization is closely linked to traceability, from final product to inputs and services. MARDWA/NFA to monitor the application of the standards and technological cards.
Informal markets as basis of unfair competition.	2. Strengthening of the regulatory and monitoring functions, coordination of the relevant institutions (Municipality, NFA).
Lack of property titles and land fragmentation-obstacle for sustainable investments.	3. Active role and cooperation of IPRO, Municipalities and MARDWA to accelerate the process of land registration.

III. FINDINGS & RECOMMENDATIONS, **Awareness**

FINDINGS	RECOMMENDATIONS
Insufficient information, awareness & education to farmers reduces the efficiency of the scheme.	Special platform (window) of assistance and information to agricultural sector. Increase dissemination and raise the awareness toward the farmers.
Lack of information on the procedures for collectors, processors and traders - financial consequences and increase of scepticism in the schemes.	
Lack of sufficient information and technical counselling for the farmer.	

CONCLUSION

There is need to carry out in-depth study of the process in an agriculture intensive area (e.g. Fier) considering all the production chain in one subsector, e.g. fruits and vegetables.

Necessity of TIN registration for farmers is accepted by all the actors and it should only *go ahead*, but it should be considered “its speed and costs for the Government and stakeholders: to be a win – win situation”.

CONCLUSIONS

YES, REGISTRATION
(TIN/FARMER
ELECTRONIC
REGISTER)

YES, FORMALIZATION
(IN ALL VALUE
CHAIN– TO MOVE
FORWARD)

FOOD SAFETY–
INVESTMENTS,
COMPETITIVENESS

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