Scientific Journal of the Observatory of Mediterranean Basin.
Polis University / Ferrara University /
UNECE Center of excellence / Co-PLAN Institute.

3.5 Agricultural cluster development in peri-urban areas

Elona Karafili
PhD Researcher

Abstract

As often the case with the newly formed peri-urban areas in the outskirts of expanding cities, the territories that surround Tirana face the pressure of converting agricultural land into urbanized areas, resulting in identity loss, environmental deterioration, and high unemployment accompanied by poverty and ultimately a low quality of life. Besides the challenges, the proximity to the capital city also provides advantages, such as economies of scale and scope deriving from the agglomeration of the activities, good access to the labor force, the market, infrastructure, as well as educational and research facilities, constituting therefore the basics for cluster development.

This paper explores the potential of the area to host cluster development, with a specific attention paid to agricultural clusters that would have an important effect not only to its economic performance but also on the preservation of the territory and the landscape.

Keywords: *Peri-urban development, agricultural clusters, cluster policy, Tirana*

Introduction

Influenced by Porter's work on competitiveness and clusters, but also by the increased focus on innovation and knowledge economy, many countries are developing cluster policies or introducing the concept of cluster promotion in their regional or economic and business development policies. Besides the measures taken in the national level, the European Union has played an important role in encouraging and fostering cluster policies. However, cluster policy remains a new phenomenon, varying noticeably among the different countries within EU, and recently emerging in other Eastern European countries as well. "The development of cluster policy is still at an early stage in most countries. There are also significant differences among the countries of Eastern and Western Europe. Among those countries that have adopted the policy of the cluster after 2000, are mostly small countries in terms of population and/or geographical size of countries in Eastern Europe." (Obadic, 2013)

Albania is still new to the concept of clusters, and albeit the increasing and explicit use of the term in the objectives of several agencies, an articulated cluster policy is lacking. It is also impossible to find any of-

ficial figures on cluster activity in Albania, neither in the national/regional data, nor in the European level. The European Cluster Observatory[1] (2014) also provides no reports on clusters in Albania.

Nevertheless there is a potential for cluster development in the current Albanian economy. In order to face competition, Albanian firms are becoming more and more aware that cost-efficiency is not enough. There is a clear need for qualitative products, which require the adequate technology, human capital and knowledge. Achieving such factors individually is very hard if not impossible. Positive externalities deriving from economies of scale and scope provide better chances to lay the ground for joining forces in otherwise too costly investments, especially in technology and R&D.

Some of the early clusters that already started to emerge are in the meat processing industry, medicinal and aromatic herbs industry, leather good production industry and tourism industry. Not surprisingly the major part of the actors pertaining to these "tentative clusters" are located in Tirana – Durres region, which clearly constitutes the pulsing heart of the Albanian economy, as well as the concentration of the labor force and with a population of nearly 1/3 of the national one, it also represents the largest market in the country.

However, Tirana – Durres region constitutes an entity that comprises more than just the two cities and the highway that connects them, which is also the business corridor that hosts many industries operating in the country. Both cities, especially Tirana are surrounded by a peri-urban fringe that has been under constant development pressure, resulting in the rapid conversion of agricultural fields into urban land.

1 Not included in the list of regions, even though some countries from the Western Balkans such as Bosnia- Herzegovina or Croatia are included in the observatory

The area laying between Tirana and the Rinas airport, has been transformed from a vast land dedicated entirely to agriculture, especially fertile for orchards, into an urbanizing territory facing the typical challenges of the peri-urban areas: identity loss, environmental deterioration, high unemployment accompanied by poverty and ultimately a low quality of life.

Nevertheless, after 2 decades of massive immigration fluxes settled in the region that have doubled Tirana's surface and tripled its population, there is a certain saturation that has decreased significantly the pace of this growth. Moreover, the construction sector is no longer thriving under high housing demand, on the contrary with a considerable vacant housing stock, the development pressure in these peri-urban areas is no longer as strong as it used to be.

The actual condition is a highly fragmented area, with developed plots spread throughout the territory, but also a considerable amount of vacant land that still possesses a strong potential to be exploited for agricultural purposes. Such potential is currently underestimated and the promotion of an agricultural cluster would provide a vital instrument for the local economic development and the reduction of poverty.

"In many developing countries, the greatest potential for sustainable growth lies in the agricultural sector. Yet ironically, it is this sector where poverty is most widespread and found in its worst forms.

Small-scale farmers, and the rural communities in which they live, are imprisoned within a "cycle of equilibrium" of low margins, resulting in low risk-taking ability and low investment, which leads to low productivity, low market orientation and low value addition which, in turn, nets low margins" (Gálvez- Nogales, 2010)

Indeed the eventual impact of agricultural clusters in developing countries has been little discussed in the current body of literature,

but is recently receiving increasing attention. "Eastern Europe is, in comparison with Western Europe, less developed, there is a high availability of low-cost (agricultural) labor, there is a high geographical proximity of clients and the amount of land and natural resources are also present as their comparative advantages." (Looijen & Heijman, 2013)

Promoting an agricultural cluster in the peri-urban area of Tirana

Building on Porter's (1998) definition of clusters as geographically proximate groups of interconnected companies and associated institutions in a particular field, linked by commonalities and complementarities, Gálvez-Nogales (2010) defines the agricultural clusters as "simply a concentration of producers and institutions that are engaged in the food and agricultural sector and that inter-connect and build value networks, either formally or informally, when addressing common challenges and pursing common opportunities."

In the selected area many of the prerequisites for initiating a cluster are met.

There is vacant land especially qualitative for orchards. Specialists say that land suitability analysis indicate that the area is appropriate to cultivate vegetables, fruits, vineyards as well as flowers. In 1990 the peri-urban areas covered 16% of the agricultural land and were responsible for 28% of the overall domestic agricultural products. (Lushaj, 2014)

There is a tradition in agriculture, but more importantly considering the previous agricultural use of the area, the eventual new farmers can make use of the existing irrigation channels and through joint action mobilize the investments to upgrade the former farming facilities, invest in new technologies and in research aiming at an increased productivity.

The contact with the research is facilitated by the presence of governmental bodies, universities and research institutes such as the Ministry of Agriculture, Rural Development and Water Management; The Rural Agricultural Development Agency, The Na-

tional Food Authority; The Center for Agricultural Technology Transfer; the Agricultural University of Tirana, but also private institutions with expertise in territorial and environmental issues such as POLIS University, Co-PLAN institute.

Indeed the missing communication among the business and academia is a spoiled opportunity for both parties as well as for the country in general. "Industry-university collaboration in Albania is among the lowest in the world. In 2012, Albania ranked 139 out of 144 countries. This constrains opportunities for growth and represents an untapped knowledge potential for innovation." (WorldBank, 2013)

There is a new logistic park and multimodal station being built in the area that together with the Tirana – Durres corridor ensure good accessibility and lower the transportation costs.

Many of the businesses in the food processing industry are located in close proximity and so are the labor force and the newly development market dedicated to agricultural and fresh food products.

The agricultural cluster may positively influence the performance of other industries such as the food industry, wine industry, but also agro-tourism. In the center of this area, there is a family business "Uka Farm" that is currently functioning as a farm but also as a winery as well as a restaurant operating with the "from farm to fork" concept. Such complementary activities and others like food festivals, fairs, food & wine tasting tours can mitigate joint action among the players of the eventual cluster.
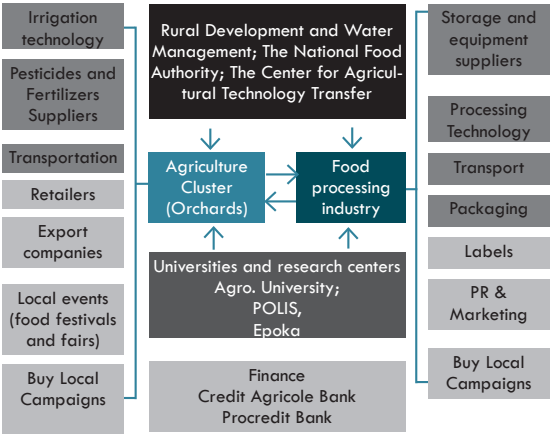

Fig 1. *Proposed Cluster in Agriculture*

However, albeit the potential, there are several constrains that prevent the development of an agricultural cluster in the area.

The territory is highly fragmented and sometimes for specific plots there is no clear ownership of the land or overlapping property rights. Even though the development pressure on the area has decreased, the alternative use as urban land is still retained more profitable by the land owners, who prefer to keep it vacant or sell with the market value[2] as urban land. Moreover, the high fragmentation limits the production that mainly covers the needs of the household consumption rather than producing enough surplus to be able to trade.

"The peri-urban model has allowed agricultural land use to remain sufficiently profitable vis-à-vis urban land use and is due to the existence of a mono-cultural society which has prevailed despite immigration. A second important aspect is the predominance of small properties rather than the large areas of cultivation characteristic of the conventional rural sector. This is associated with the potential use of the land for urbanization and with the preoccupation of individual producer activity over the communal activities of the past" (H. Losada, 1998).

Additionally there is a high mistrust among the actors that might eventually engage in the potential agricultural cluster. As recent studies show, the level of mistrust is even higher in the Albanian context.

"The barriers faced by small- and medium-sized firms in transition economies are different from the barriers identified in other developing and developed countries. Cultural issues, especially, national culture plays an important role in knowledge sharing in firms. Transition economies have unique social and cultural conditions, partly influenced by decades of harsh a repressive communism. Some of the transition economies with the harshest and repressive regimes face issues such as lack of trust that have significantly influenced the cultural fabric of the society in these transition economies." (Vajjhala & Vucetic, 2013)

Moreover they face the typical communication bottleneck present in almost every cluster initiative.

"In real clusters, communication between different kinds of agents is massively flawed. Small firms who believe they have something new exciting to offer, have a hard time even to be allowed to meet with the right people at a large enterprise. Large enterprises searching for a new supplier are more likely to look for an established international supplier than to go searching among innovative SMEs located right under their nose. Policy makers have only vague ideas about what business really needs. Researchers are more interested in academic publishing than commercializing their new findings or talking to business people. Schools formulate their curricula oblivious to what skills the industry is calling for. Entrepreneurs find it difficult to persuade banks to invest in new innovative businesses. It is not difficult to understand that these connections will not just happen spontaneously." (Ketels, Lindqvist, & Sölvell, 2012)

Indeed considering the stage of the Albanian economy as well as the general and specific challenges faced by an eventual agricultural cluster initiative, it is important that the public authorities (in national or regional level) adopt and implement cluster policies able to understand and address the particular needs of the industry.

Sometimes the development of such policies is challenging itself as "the cluster concept is very flexible and therefore does not offer a practical guide for policy-makers in their efforts to design and implement policies. A key limitation is a lack of clear cluster boundaries. The majority of the countries have not developed a strategic approach on cluster-form organizations". (Obadic, 2013)

According to IRE Subgroup, the following is needed: (IRE, 2003)

- *plan to carry out mapping studies on clusters, identify regions, sectors of activity, technologies that would benefit from cluster-form organizations and integrate them in their overall strategy on economic and social growth;*
- *identify barriers and limiting factors to cluster development and organize regu-*

---

2 The value of the land reflects not only the market value of its current use but also the expectations for its future use

lar revision of their existing policy measures;
- *obtain their governments long-term commitment; and*
- *raise awareness on the potential benefits of clusters among the players concerned*

Some examples of government support to agro-based clusters are provided by Gálvez-Nogales (2010):

- Information collection and diffusion
- Promotion of associations and networks and development of PPPs
- Support to export activities and collective marketing initiatives
- Provision of training and technical assistance to cluster stakeholders
- Improvement of access to finance
- Policy support and regulatory function
- Creation of an enabling environment, including public investment in infrastructure
- Research and development

However besides the top-down approach, there are other forms of cluster organizations that might apply to the Albanian conditions.

"Cluster initiatives typically are organized through small and nimble organizations. There is often an entrepreneurial spirit driving the organization, walking across the gaps between actors inside clusters, and receiving financial support from a range of both public and private sources. Half of the organizations have 3 or fewer employees" (Ketels, Lindqvist, & Sölvell, 2012)

If applied in cluster scale the policies that intend to promote the local production can be much more effective than the current flat policies such as the exemption from the petroleum tax of all farmers regardless of their sector or productivity. This is basically subsidizing the inefficiency, while on the other hand cluster support together with campaigns that rise awareness on the consumption of "Made in Albania" products would increase the chances of local products to sustain competitiveness.
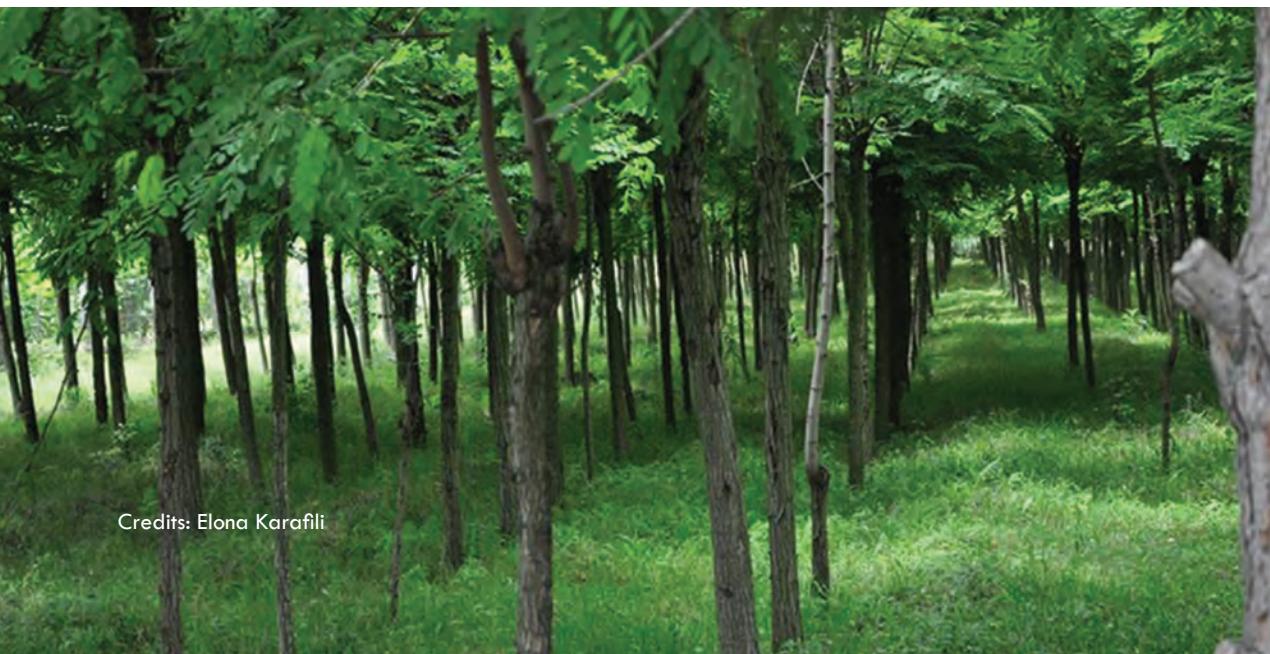
The new territorial and administrative division of the country foresees that the peri-urban areas surrounding Tirana will be part and under the jurisdiction of the Municipality of Tirana, therefore local policies can play a role, besides the national one.
Such policies must aim the land consolidation and put a greater focus on the organic products, as well as products with potential for exports. Encouraging the local production to obtain quality certificates will improve their competitiveness and trigger their exportation.

Conclusions

Albania is still new to the concept of clusters, but there is a potential for cluster development in the current Albanian economy and some early initiatives are emerging, especially in the Tirana-Durres region. Both cities, especially Tirana are surrounded by a peri-urban fringe that has been under constant development pressure, resulting in the rapid conversion of agricultural fields into urban land, resulting in identity loss, environmental deterioration, and high unemployment accompanied by poverty and ultimately a low quality of life.

This paper explored the idea of an agricultural cluster that would be instrumental for

Credits: Elona Karafili

the local economic development and reduction of poverty. Besides the orchard production, the agricultural cluster may positively influence the performance of other industries such as the food industry, wine industry, but also agro-tourism. The development of an agricultural cluster would also help preserve the territory, the environment and the landscape of the area from ulterior deterioration.

There are however constrains that prevent these initiatives, among which the most important the high mistrust among the actors and the lack of communication among the stakeholders. Such bottlenecks can be overcome through tailor made strategies that engage both the public and the private sector. Small and operational cluster organizations can be effective in facilitating the communication and mitigate joint action among the players in a cluster.

The role of the government however is much needed in providing basic infrastructure, easing the access to finance and executing its regulatory function. The policies aiming to promote the economic development of these areas and the consumption of local products can be much more effective if designed and applied in cluster level.

References:

- European Cluster Observatory (2014): http://www.clusterobservatory.eu/index.html accessed October 2014
- Gálvez-Nogales, E. (2010). *Agro-based clusters in developing countries; staying competitive in a globalized economy.* Food And Agriculture Organization of the United Nations, Rome
- H. Losada, H. M. (1998). Urban agriculture in the metropolitan zone of Mexico City: changes over time in urban,suburban and peri-urban areas. *Sage Journals: Environment and Urbanization, Vol. 10, No. 2, , 37-54.*
- IRE. (2003). *Regional Clustering and Networking as Innovation Drivers; Design of Cluster Initiatives – An Overview of Policies and Praxis in Europe.* Retrieved October 20, 2014, from www.europe-innova.eu: www.europe-innova.eu/c/document_library/get_file?folderId¼4148901&name¼DLFE-
- Ketels, C., Lindqvist, G., & Sölvell, Ö. (2012). *Strengthening Clusters and Competitiveness in Europe - The Role of Cluster Organisations.* Stockholm: Center for Strategy and Competitiveness, Stockholm School of Economics.
- Looijen, A., & Heijman, W. (2013). European Agricultural Clusters: How Can European Agricultural Clusters be Measured and Identified? *Economics of Agriculture 2* , 337-355.
- Obadic, A. (2013). Specificities of EU cluster policies. *Journal of Enterprising Communities: People and Places in the Global Economy, Vol. 7, No. 1* , 23-35.
- Porter, M. E. (1998). *The Competitive Advantage of Nations.* New York: Free Press. Prof. Dr. S. Lushaj (2014, October). (E. Karafili, Interviewer)
- Vajjhala, N. R., & Vucetic, J. (2013). Key Barriers to Knowledge Sharing in Medium-Sized Enterprises in Transition Economies. *International Journal of Business and Social Science, Vol. 4, No.13* , 90-98.
- WorldBank. (2013). *Western Balkans Regional R&D Strategy for Innovation; Country paper Series: Albania.*

Credits: Elona Karafili