



Ministry of Agriculture, Rural Development and Water Administration

Republic of Albania

Rural Development Programme 2014-2020

**Under
Instrument for Pre-Accession Assistance (IPA)**



28 May 2015

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LIST OF ABBREVIATIONS

AA	Audit Authority
AIC	Agricultural Information Centres
ALL	Albanian Lek
ARDA	Agriculture and Rural Development Agency
ATTC	Agricultural Technology Transfer Centres
AWP	Annual Work Programme of Calls for applications
CEB	Council of Europe Development Bank
CoMD	Council of Ministers Decision
CSP	Country Strategy Paper
DEU	Delegation of the European Union to Albania
DG	Directorate-General
DPERP	Directorate for Programming and Evaluation of the Rural Policies
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EIB	European Investment Bank
EU	European Union
EUR	Euro
Eurostat	Statistical Office of the European Communities
EUSAIR	European Union Strategy for the Adriatic and Ionian Region
FAO	Food and Agriculture Organisation of the United Nations
FWA	Framework Agreement
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
GVA	Gross Value-Added
HACCP	Hazard Analysis and Critical Control Points
I&D	Irrigation and Drainage
IFAD	International Fund for Agricultural Development
IFI	International Financial Institutions
IMF	International Monetary Fund
INSTAT	Institute of Statistics of Albania
IPA	Instrument for Pre-Accession Assistance
IPARD	Instrument for Pre-Accession Assistance for Rural Development
IPM	Integrated Pest Management
IR	Intermediate Region
ISARD	Inter-Sectorial Strategy for Agriculture and Development 2014-2020
LAG	Local Action Group
LAU	Local Administrative Units
LED	Local Economic Development
LFS	Labour Force Survey
LSMS	Living Standards Measurement Survey
LSU	Livestock Units
MA	Managing Authority
MADA	Mountain Areas Development Agency
MAP	Medicinal and Aromatic Plants

MARDWA	Ministry of Agriculture, Rural Development and Water Administration
MCS	Management and Control System
MIS	Management Information System
MS	Member States
MT	Metric tonne
NAO	National Authorising Officer
NGO	Non-Governmental Organisation
NIPAC	National IPA Coordinator
NUTS	Nomenclature of territorial units for statistics
OECD	Organisation for Economic Cooperation and Development
PPP	Purchase Power Parity
PR	Predominantly Rural Region
SA	Sectoral Agreement
SME	Small and Medium-sized Enterprise
SWOT	Strengths, Weaknesses, Opportunities and Threats
UAA	Utilised Agricultural Area
UNDP	United Nations Development Programme
Union standards	Standards laid down by the Union in the fields of environmental protection, public health, animal and plant health, animal welfare and occupational safety
USAID	United States Agency for International Development
VAT	Value-Added Tax
WB	World Bank
WUA	Water Users Associations

1. TITLE OF IPA RURAL DEVELOPMENT PROGRAMME

Rural Development Programme under the Instrument for Pre-Accession Assistance of the Republic of Albania 2014-2020

2. BENEFICIARY COUNTRY

2.1 Geographical area covered by the programme

NUTS regions (level I, II, or III) covered by the programme

NUTS level	Code if applicable	Description
NUTS 1		Republic of Albania

The geographical scope of the Programme is the entire territory of Albania. The territorial scope of the measures ‘Farm Diversification and Business Development’ and ‘Implementation of local development strategies – LEADER approach’ is limited to the territory of rural areas as defined in Section 8.1.2 and listed in Annex 2 of this document.

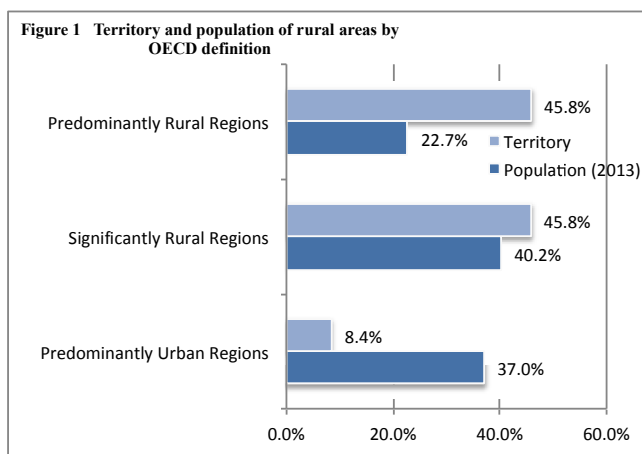
3. DESCRIPTION OF THE CURRENT SITUATION AND IDENTIFICATION OF NEEDS

3.1. The general socio-economic context of the geographical area

Albania has a total territory of 28,748 km² and population of 2,787,600 inhabitants, of which 1,390,000 are women (2013). The population density is 97 inhabitants per sq.km.¹

Albania is divided into 12 administrative regions at NUTS3 level (prefectures) and 373 communes and municipalities at LAU1 level. The majority of LAU 1 units are small size and there are only 8 municipalities with population above 50,000 inhabitants, in which resides 34% of the total population.

According to the OECD definition at NUTS3 level, there are *five predominantly rural regions*, *five intermediate* and *two predominantly urban regions*. In 2013 the predominantly rural regions (Diber, Gjirokastra, Korca, Kukes and Lezha) and the intermediate regions (Berat, Elbasan, Fier, Shkodra, Vlora) accounted for 91.6% of the territory and 63% of the population of Albania, which is close to the EU average (90.9% and 59% respectively). The predominantly urban regions - Tirana and Durres, - accounted for 8.4% of the territory and 37% of the population. The population density in the predominantly rural



¹Unless stated differently, the data source in this Section is INSTAT.

regions is about half of the country's average (56 inhabitants per sq. km) and in the intermediate regions is slightly lower than the national average (85 inhabitants per sq. km).

Albania is *predominately mountain country* with nearly two-thirds of its territory located in mountainous areas. Eight NUTS3 regions with total population of about 1 million people are located entirely or predominantly in the mountain areas.

During the intercensal period 2001-2011, the Albanian *population declined* by 269,000 people, or 8.8%. The main factors contributing to the decline of population were *significant reduction of birth rate and out migration*. The country had positive, but decreasing natural population growth (5 per 1000 inhabitants in 2012). It is estimated that about 500,000 Albanians emigrated during the period 2001-2011, mainly driven by economic factors and lately by family reunification. In recent years, there is an increasing flow of returning migrants, mainly from Greece and Italy. The census data showed that in the period 2009-2011, 73,000 people returned to Albania, of which about 70% resided in rural areas.

The Albanian *population is among the youngest* in Europe with median age of 33 years old, however the population is ageing fast. In the intercensal period 2001-2011, the number and share of population below 15 years old declined significantly from 29.3% in 2001 to 20.7% in 2011 and the share of population aged 65 and above increased from 7.5% to 11.3%.

In 2012, the population in the age group from 20 to 64 years old was 1,615,600, which was 9.7% less than 2007². The share of population in this age group with upper secondary education was 35.1% and with tertiary or higher – 14.8%. The share of women with upper secondary education was 8.1 percentage points lower than that of man, while share of women with tertiary education was 2 points higher. The share of early school leavers was very high – 35%.

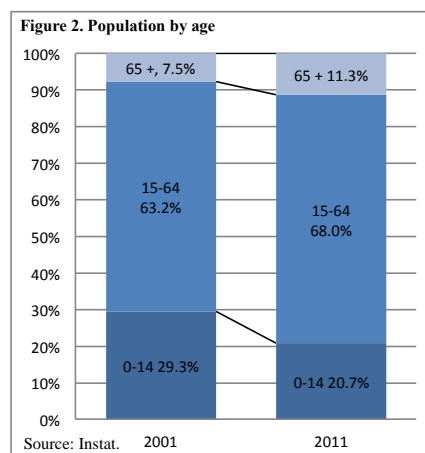
Live expectancy at birth has been increasing in Albania and reached 77.1 years in 2012, being among the highest in the enlargement countries.

In 2012, the GDP in Albania amounted to EUR 9,370 million. The GDP per capita in purchasing power parity was 30% of the EU average.

After a decade of high economic growth, mainly driven by the remittances, fuelled by construction boom and raw materials exports, in 2009 GDP growth rate started to decline, reaching the lowest rate of 1.6% in 2012. The government programme for 2013-2017 aims at supporting new sources of growth by focusing on manufacturing, energy, tourism and agribusiness as priority sectors.

The price and exchange rate stability have been maintained despite the unfavourable environment. However, the budget deficit remained relatively high at 3.5% of GDP and *public debt continued to increase*, reaching 62.9% of GDP at the end of 2012. A major policy challenge is gradual and sustained fiscal consolidation to ensure paying of accumulated public arrears and halting the accumulation of public debt.

The economic slowdown affected negatively the investments, with gross fixed capital formation declining since 2008 (-4.7% in 2012). The *credit growth declined* sharply from 43.8% in 2008 to 7.4% in 2012 due to reduced demand and increasing share of non-performing loans (22.5% in



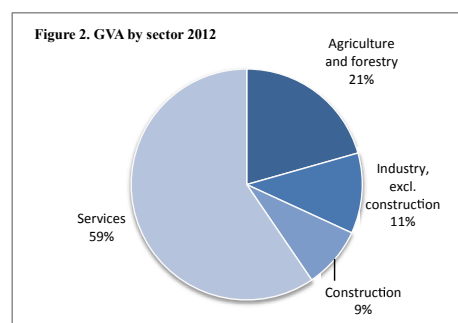
²Eurostat.

2012).

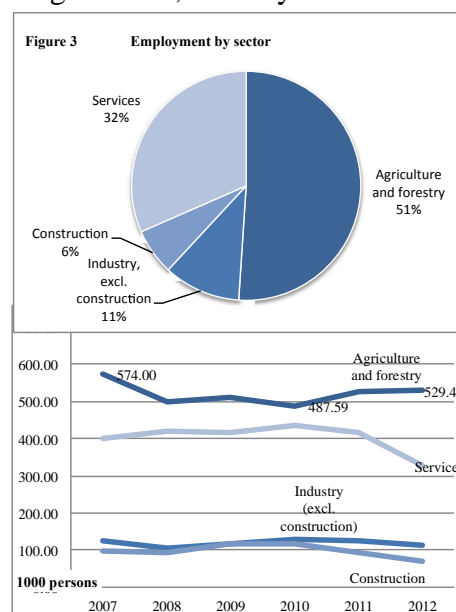
The *economic activity rate of population* in the age group 20 to 64 was 73.4% in 2012. There was a *high gender gap*, with activity rate of women 20 percentage points lower than that of men. In 2012, the number of employed in the age group 20-64 years old was 1,023,800 and the employment rate was 63.4%. The number of employed declined, and in 2012 was 8.7% lower than in 2007³.

The *unemployment rate* was 13.9% in 2012, or slightly higher than in 2007. The male unemployment rate was higher than the female one. The youth unemployment rate increased significantly compared to 2007 and was 27.9% in 2012. The long-term unemployment rate was high - 10.8% in 2012 with an increasing trend.

The agriculture, forestry and fisheries sector gross value added (GVA) amounted to EUR 1,614.8million in in 2011. The *share of agriculture, forestry and fisheries has been increasing* over the 2007-2012 period due to the higher growth rate of the sector. In 2012, agriculture contributed to 20.6% of GVA, compared to 19% in 2007. In 2012, the industry share was only 11%, and construction - 9% and services - 59% (Figure 2).



The primary sector contributes to very high share of employment in Albania. In 2012, the number of employed in agriculture, forestry and fisheries was 529,000, or 51% of the total. The number of employed in agriculture declined in the period 2007-2010, but since 2011 has been growing (Figure 3).



In 2012, *utilised agricultural area (UAA)* was 1,201,290 ha, accounting for 41.8% of the total territory of Albania. The arable land is 51.5% of the UAA, permanent grassland – 42.1% and permanent crops – 6.4%. Compared to 2007, the UAA increased by 7% as a result of increase of arable land and permanent grassland⁴. In 2012, *forests and other wooded land* covered 1,041,390 ha, or 36.2% of the total territory of Albania. About 51% of the forests are under state ownership, 47% – municipal and only 3% – private⁵.

According to the Agricultural census⁶ conducted in 2012 there were 324,000 farms in Albania. Of these 232,700, or 79%, are located in predominately and significantly rural areas and 21% in urban areas.

The average *agricultural size of the farms is very small* – 1.20 ha (2012). About 46% of the farms have size bellow 1 ha and 86% of the farms are below 2 ha.

Land ownership and use is fragmented in Albania, with an average 4.1 parcels per farm and average plot size of 0.26 ha. The agricultural land markets (sale and rental) are underdeveloped due to the perception of land as a social safety net; unresolved and conflicting claims to land; time consuming and costly land transaction processes; mistakes in relation to land registration

³ Data on employment and unemployment is from Eurostat.

⁴ Eurostat.

⁵ INSTAT.

⁶ Preliminary data.

during land reform and weak access to credit. The National Programme for Land Consolidation has been prepared in 2013.

3.2. Performance of the agricultural, forestry and food sectors

Albanian agricultural sector has been steadily growing. The annual growth rate varied between 2.7% and maximum of 7.9%, depending mainly on weather conditions. In the last four years the sector has been growing at a higher rate than the rest of the economy.

The labour productivity in agriculture measured by GVA per annual work unit (AWU) has demonstrated a significant growth by more than 46% in 2011 compared to 2007. Still it is low compared to the overall EU average and to EU-10 – the new MS. In 2012 the labour productivity was EUR 3,615 per AWU in Albania, compared to EUR 6,914 per AWU in EU-10⁷.

Albania has a very high trade deficit in agri-food products. The value of imports is 6.7 times higher than the value of exports. In the period 2007-2012, the agri-food exports have registered a very high growth of 72%, though from a very low base. The trade deficit in agri-food products increased by 35%, but in the last four years the deficit growth was low. In 2012, the export of agricultural products to EU amounted to EUR 40 million and import – to EUR 313 million.

The competitiveness of the agricultural sector is influenced negatively by the small size of agricultural holdings. There is a positive trend of farm consolidation. Farm size has increased from 1.14 ha to 1.20 ha from 2007 to 2012. The segment of commercially oriented, viable farms has been growing. Yet, Albanian farming is predominantly subsistence-oriented and most of the agricultural products are destined for home consumption. There is a lack of traditions and limited willingness for co-operation between farmers. The number of producer groups and co-operatives is small despite efforts to encourage co-operation of farmers in supply and marketing activities.

According to MARDWA statistics, around 1.6 million people live on farms, of which 47% are women. About 96% of the farm holders are men. Only 4% of the farm holders are women, even though women are the main labour force in the farms.

The age structure of the farm holders has worsened. The number of young farm holders under 25 years old decreased and is only 1%, while 33% of the farmers are above 65 years old (2012).

Data from various surveys show that in Albania there is a reduction of the skills of the agricultural labour force due to ageing, migration and lack of opportunities for education and training of new entrants. Only 3% of the farm holders have university education and 37% have upper secondary or tertiary education, while the remaining 63% have lower secondary, primary or no education. About one-third of the farm holders have agricultural education background. These are likely to be the older farmers, who have accomplished agricultural vocational high schools in the past.

The farming is labour intensive, with low levels of technological advancement. A high share of farms has obsolete mechanisation, inadequate agricultural buildings and storage facilities. The low capital intensity of production is resulting in low productivity, relatively high production costs, low quality, losses and low profitability.

Adherence to environmental, food safety and animal welfare standards in the agricultural sector is still low. A large share of agricultural holdings fails to comply with standards due to limited financial resources to upgrade facilities and technologies and lack of awareness and knowledge on standards. There is a weak enforcement of legislation, which creates disincentive for investments for compliance with standards.

⁷ Eurostat.

The *investments in agriculture* are very low due to small scale farming, limited internal resources of farmers, and difficult access to credit. In 2011 the gross fixed capital formation in agriculture amounted to only EUR 60.4 million or less than 4% of GVA.

The *banking system* is the main financial intermediary in Albania. The share of credits to the agricultural sector is very low – less than 5% of the total loan portfolio in Albania. The supply of bank credit to agriculture is constrained by structural problems of the sector, including small size of farms, ageing of farm population, lack of assets to be offered as collateral, underdeveloped land market, lack of information regarding the applicants financial standing, etc.

The *microfinance industry* is estimated to reach about 2.4% of the population and roughly 80% of country. The micro-finance industry extends loans to SMEs, including unemployed and start-up businesses, and some of the institutions provide also technical assistance for entrepreneurs (training and studies).

The *agricultural vocational education* system includes 9 high schools covering the following areas: crop production (in 9 schools), animal production (in 1 school), veterinary (in 2 schools), agro-business (in 5 schools), silviculture, forestry and furniture production (in 1 school), agricultural machinery (in 2 schools). The university-level education in agricultural sciences is provided by the Agriculture University of Tirana and the Faculty of Agriculture of the University of Korca. The Agricultural University of Tirana is the only university specialised in undergraduate and graduate studies, scientific research, training and extension in the area of agriculture and food processing.

The *extension service* is organised and managed by MARDWA. Extension service provides information, advice and training to farmers and agri-business. In total it has 290 employees at central, regional and local levels. Extension service regional sections are based at the 12 Regional Directorates of MARDWA, employing between 3-4 subject matter specialists (vegetable experts, fruit growing experts, livestock experts, and farm economists). Extension services operate at local level 120 Agriculture Information Centres, which are in direct contacts with the farm community – in Elbasan, Shkodra, Fier and Korca being the biggest, with an average of 14 employees each.

Within the Extension services, five Agricultural Technology Transfer Centres (ATTC) are set up – in Fush, Kruja, Korca, Vlora, Lushnja and Shkodra, responsible for conducting applied research in various fields of agriculture. The ATTC support MARDWA in strategy formulation and design of national schemes and strategies, facilitate technology transfer to agriculture and food processing businesses, supply high certificated generation materials for some kinds of seeds and seedlings, etc. The total number of employed in ATTC is 280.

The public Extension service and the Agricultural Technology Transfer Centres every year reach with information up to 20% of the farmers and agribusinesses. More than 8,000 farmers annually are assisted by the Extension service staff to apply to and benefit from the national support schemes.

Main problems faced by the public Extension services are: (i) limited number of extension specialists (in average, there is one extension specialist per 1,700 farmers) and their engagement with a lot of tasks outside their specific field; (ii) insufficient financial support in the form of investment in agricultural information centres and operational costs to accomplish the extension activities; (iii) high average age of extension specialists and their limited IT skills; (iv) limited capacities in farm management, marketing and business planning, and in providing support and technical assistance to off-farm subsectors (i.e. processors, wholesalers, retailers); (v) low/insufficient outreach, especially in mountainous/remote areas; (vi) limited knowledge of the functioning of value chains (from production to marketing) and farm economics and business management.

Food processing is a relatively small economic sector in Albania. In 2011 GVA in food industry amounted to EUR 64.4 million and total number of employed was 14,000. There are about 2000 companies in the food processing industry, 95% of which are micro companies. The most important food-processing industries in Albania are bread and flour production, soft drinks production, milk and meat processing industries.

The development of food processing sector in Albania is constrained by a number of factors, some of which relate to scarcity of raw materials, insufficient homogeneity of quantities and quality, underdeveloped vertical integration between the producers of raw materials and the processing industry, lack of resources to improve food quality by introducing quality and food safety assurance systems, The establishment of food safety and food quality systems has started, but so far only in larger food processing companies. Investments to comply with standards for environmental protection and treatment of waste are extremely limited.

Similar to primary agriculture, the growth of the food processing sector is constrained by the limited internal resources of the entrepreneurs and difficult access to credit.

Albania's *forests* are five types: Mediterranean shrub, oak woodland, beech forests, Mediterranean fir, and alpine zone. Out of the total forest area, 47% account for high forests with beech, oak and black pine as main varieties. Coppice forests make up 29%, and 24% are categorised as shrub forest.⁸

The forest available for wood supply (FAWS) covers 513,460 ha, of which 95% is owned by public institutions and 5% has private ownership⁹.

The contribution of forestry to the country's economy has remained small. Most of the round-wood production in Albania is utilised as fuel-wood. The non-wood forest products (MAPs) and services are an important source of income in rural Albania. There are 23 hunting reserves (in the forest and lagoons), with an area of about 35,000 hectares.

Forestry management was decentralised through transferring about 50% of forestry and pasture area to local governments, which are in charge of drafting forest management plans, establishing the technical and administrative bodies to conduct forest inventories and investment plans. The communes are responsible for managing the local forests in consistency with the management plan. In some areas, Forest User Associations are organised, and have user rights for activities such as grazing and harvesting firewood and herbal plants (user rights do not include the right to sell timber).

Detailed presentation of the selected priority sectors

Meat and meat products

Albania has long traditions in *livestock* breeding, particularly small ruminants breeding¹⁰. There are 215,000 cattle farms (2012). Cattle farms are specialised mainly in milk production, while cattle farming specialised in meat production is less frequent. There are 47,000 sheep farms and 23,500 goat farms (2012). Production is still highly fragmented, where most farms in cattle, sheep- and pig-breeding are small, or very small.

⁸WB, *Innovative Financing for Sustainable Forest Management in the Southwest Balkan*.

⁹ Ministry of Environment data.

¹⁰*Meat Sector Study* - the study was prepared in 2010 and updated in 2013 by the Project "Preparation of Inter-sectorial strategy for agriculture and rural development in Albania", funded by the European Union and facilitated by the FAO.

The total number of livestock units in 2012 was 937,000, of which cattle made up 48%, sheep and goats – 28%, poultry – 11%, equine – 8% and pigs – 5%.

Table 3.1: Agricultural animals

Livestock	2007	2008	2009	2010	2011	2012
	'1000	2007=100				
Cattle	498	94	86	85	85	86
Cows	358	91	89	90	89	90
Small ruminants	2,619	96	93	95	92	96
Sheep	1,809	97	95	97	95	98
Milked sheep	1,390	96	95	97	98	101
Goats	810	94	88	88	87	92
Milked goats	614	98	93	93	94	99
Pigs	159	110	109	112	111	108
Sow	12	88	81	81	75	75
Poultry	9,494	114	117	118	130	133
Chicken	5,938	106	109	111	139	126

Source: INSTAT 2013

The number of cattle was 498,000 in 2012, which is 14% lower than in 2007 (Table 3.1). The number of small ruminants was 2,619,000, which is 4% decrease for the same time period. The poultry flock size increased by 33%, reaching 9,494,000 in 2012.

In 2012, the total production of meat was 150,000 tonnes. The production decreased in 2008, but showed a moderate growth in the period 2009-2012. Cattle is the largest sub-sector in meat production, with 69,000 tonnes (46%) followed by sheep and goat meat production – 48,000 tonnes (32%). Both sectors registered growth in the period 2009-2012.

There is a strong domestic demand for livestock products since cereals, meat and dairy products represent the main part of the food consumption of the Albanian consumer. The meat consumption has been increasing, reaching 66 kg per capita in 2012.

Export of meat is low, whereas import remains high and stable over the last years at about 36,000 tonnes in 2012, which corresponds to about 1/4 of the domestic supply. In addition, there is a growing import of live livestock, particularly pigs and cattle. Import of poultry meat is quite high reaching 23,900 tons in 2012, or 65.7 % of total meat import, followed by pork import (10,901 ton in 2012 or 30% of the total meat import). One reason behind the relatively high level of chicken meat import is the low cost of imported meat.

Cattle meat production is concentrated in the regions of Fier (16%), Elbasan (15%), Tirana (10%), and Korca (9%), which together make up more than half of total production. Most cattle breeding farms are not specialised in meat production and animal genetics in general is not oriented towards high quality meat production. Beef cattle breeds are not reared in Albania, which is explained by high cost for pure beef breed and lack of knowledge on breeding technologies and poor farm management practices.

Cattle farmers producing meat are oriented towards the fresh market, since the meat processing industry uses mainly imported deep frozen meat, which is much cheaper. As most of the farmers are not specialised in meat production and lack financial resources for purchasing feed, the animals are slaughtered before gaining sufficient weight, which diminishes incomes.

In cattle breeding, the extensive system of production is dominant. The feeding of livestock is based mainly on forage and grassland/meadows supplemented by concentrated feed and minerals. The development of livestock sector increased the demand for feed and fodder supplies. The forage production increased and cultivated areas reached 209,000 ha in 2012. In smaller farms, forage is harvested very often by hand and there are problems with weeds and poor storage of hay. Machinery rings for forage production are not developed, however private machinery services for forage production and harvest are available. In general, there is a need to improve forage quality and increase availability of high genetic seeds of forage crops, which are appropriate to local conditions.

The use of compound feed has been increasing. It is estimated that 80% of the output is used by intensive poultry farms, and 15% – by the commercial dairy/cattle producers. Some of the

companies produce only for their own needs, while others market part of the production. The main producing companies have modern equipment and technologies and have certified systems for quality control. The market for compound feed is concentrated and the prices are high.

In Albania, sheep and goat farming takes place mainly in less favoured areas, where such farming is very often the only agricultural option, and therefore it makes a crucial contribution to the rural economy. Small ruminants (sheep and goat) meat production is concentrated in the regions of Vlora (18%), Korca (16%), Elbasan (12%) and Gjirokastra (11%), which together make up for 57% of total production. In some regions, the *small ruminant farms* are specialised primarily in milk production, in others – there is a mixed production between meat and milk. The income from meat is obtained through the sale of lambs and of cull-animals. Average weight of lambs when slaughtered is in many cases too low; farmers sell lambs early, as prices raise before religious holidays, or others focus more on milk and try to sell lambs as early as possible. The profitability of farms varies significantly, depending on the quality of farm management practices.

The production system is usually land (pasture) extensive and labour intensive. Sheep feeding depends on grazing lands, especially pastures, both in winter and summer. In summer they also use arable land after harvest. Goats also depend almost entirely on feeding of grazing lands, especially shrub lands and coppiced forests. Fodder collected from lopping of oak trees is mainly used in winter. The productivity is negatively affected by feed scarcity, especially during winter. In general, during winter farmers adjust their herd sizes to the feed availability in that season.

Grazing resources, including pastures, forests and agricultural land, are very important for small ruminants' production. The Albanian natural environment has a great variety of plant species and habitats that grazing animals can use. The main problems related to pastures are: (i) poor pasture management, over-grazing and over-cutting of woods, which resulted in reduced productivity and increased erosion; (ii) lack of water in summer pastures; (iii) limited area for winter pastures; (iv) ownership problems and lack of long-term leasing contracts; (v) lack of enforcement of regulations on communal/state pastures.

In cattle and small ruminants the capital intensity of production is low. The majority of farms use outdated technologies and equipment. Animals are staying in primitive tied stall barns, often without any windows. All the work is done by hand – feeding, removing the manure. The larger specialised farms, many more on milk than on meat, have better premises, but the majority use old existing buildings, which are slightly adapted. The electricity is often missing, stables are dark, and few farms have waste removal installation, partly because labour is cheap.

In case of small ruminants on some summer pastures, there are very simple barns to shelter animals. In winter times animals are housed in better, but again very simple barns on the farm. Small ruminants of subsistence farmers are often kept on the farm. The farms have no adequate storage places for manure or slurry, which negatively affects environment.

The *pig meat production* has been stable in the period 2007-2013 with an annual output between 16,000-17,000 tonnes, or 11% of the total meat output in Albania. During this period, the import has been decreasing and self-sufficiency increasing. About two-thirds of the production is concentrated in 3 regions – Lezhe, Shkodra and Fier. The farm technologies and productivity in pig sector vary significantly. Some of the bigger farms have new stables with automatic feeding technique and integrated production, including feed production, slaughtering, processing and retail.

Poultry meat production has increased from 13,000 tonnes in 2007 to 17,000 tonnes in 2012. In 2012 domestic production covered 41% of the market supply, and self-sufficiency has been decreasing. With the exception of backyard flocks, production of poultry is concentrated in industrial establishments. There are about 40 meat oriented poultry farms, 17 out of them keep more than 10,000 heads. The most important regions are Fier, with nearly 30% of production,

and Tirana – 18%. The premises and sanitary conditions are satisfactory, with straightforward flows and adequate equipment. In poultry breeding there is a trend to establish a complete integrated chain of operations, from chicken farms to feed mill and retail outlets. These new chicken farms of agribusiness type use cheaper fodder, which is often produced in own feed mills, which improve efficiency. Some of the poultry farms have invested in modern slaughterhouses. The farms lack proper waste management practices. With very few exceptions, farms have no manure storage and treatment facilities.

Slaughterhouse sector in Albania is comprised from a large number of small units, predominantly with outdated equipment, part of which is not in operation. There are less than 20 slaughterhouses complying fully or partly with national standards. The capacities of these slaughterhouses vary from 10-40 cattle and 20-100 small ruminants per day. There are 5 regions with no slaughterhouse complying with the national standards.

Municipalities are in most cases the owner of the existing slaughterhouses, which are often poorly managed. In some cases, the municipalities rent the facility out to the private sector. Usually the facilities are out dated and in most cases, they do not comply with the Albanian law. Consequently, EU standards on hygiene, traceability and HACCP are not fulfilled and liquid and solid waste material is just dumped into landfills or washed away by the nearby river. The condition of some of the slaughterhouses is so poor that they cannot be upgraded and greenfield investments are needed.

The existing slaughterhouses are working far below their capacities due to inadequate law enforcement. Often animals are slaughtered on the farm and at the so called slaughtering points with primitive equipment, which are not registered and controlled by the local authorities. Slaughterhouses are working far below their capacities because the traders and butchers are not forced to slaughter there.

The total number of meat processing companies in the country amounts to 63, of which 10 are with modern premises and equipment. The ten largest processing companies have around 80% of a market share. The meat processing industry covers production of a wide variety of salami and sausages from beef, veal and pork meat.

Premises and equipment of the leading meat processing companies are modern and comply with the national standards. The leading companies have sound documentation of their production, including traceability, and apply HACCP. These companies are financially viable and consider further investments.

The relations of meat processing industry with local agriculture are weak. Nearly 90% of the processed meat in Albania is imported. Some of the processors import live animals, mainly from EU. The preference given to imported meat relates to lower prices, more reliable supplies, standardised quality and easier logistics. A few meat processors buy Albanian fresh meat on the market to sell it in their own shops.

A particular weakness of the meat processing industry is the waste disposal. There are no liquid or solid waste disposal systems in place. In general, liquid and solid slaughter residues (waste) are not treated according to hygiene and environment requirements, but are directly disposed into sewer channels and dumped into landfills. Major environmental concern in Albania is the lack of a rendering plant.

Milk production and processing

In 2012 there were 358,000 milking cows, 1,390,000 milking sheep and 614,000 milking goats¹¹. Until 2008 the number of milking cows was decreasing but in the last years the herds stabilised. There is a small increase in the number of milking sheep. Cow milk production is mostly coming from lowlands and low hills; milk-oriented sheep breeding is concentrated in the south, where specialised cheese factories are also located.

Domestic production of milk reached about 1.1 million MT in 2012, marking an increase of 9% compared to 2007. Milk production is dominated by cow milk (87%), while the rest is almost equally shared between sheep and goats.

Milk yields increased significantly in the last decade, but remain low. The average annual cow's milk yield is 2,698 litres per animal, sheep milk – 60 litres and goat milk – 110 litres (2012). There are big variations of yields by region.

Most *cow milk production* units are very small, with 1 or 2 cows per farm with average of 1.7 cows. In 2011 there were only about 3,400 farms with more than 5 cows. Most cow milk producers are semi-subsistence farming households. Smaller farms sell less than half of the milk to processing industry, while farms with more than 3 cows sell more than 95% of the milk to processors.

In small dairy farms cows are usually milked by hand, which affects negatively hygiene and food safety. Only dairy farms, specialised in milk production (normally more than 6 cows) started to buy simple milking machines over the last years. Farms with more than 50 cows usually have milk storage tanks with cooling system and milking parlour.

The quality of raw milk is affected by the inadequate hygienic and sanitary conditions on the farms, inadequate equipment used for animal milking, milk storage and transport, lack of knowledge, information and skills about milking hygiene, milking techniques, storage and cooling, food safety standards. There are limited or no financial incentives to increase milk quality, since prices are determined mainly by quantity, dry and fat content.

The majority of the milk producers have no information about the microbiological status of their raw milk. A system of professional sampling, transport of samples to laboratories, laboratory analysis and reporting of the results to farmers, processors and food safety authority is not in place in Albania.

In the *small ruminants sector* the farms are also small. The average number of milking animals is 24 per farm. About 12,000 farms (15 % of all milk production farms) have more than 50 sheep or goats per farm. There is a marked trend for fast increase of larger sheep farms.

In the small ruminants sector, local breeds are dominant since they are well adapted to local conditions – climate and management practices. However, their productivity potential is limited, but not yet fully exploited. The farmers lack financial resources to improve animal genetics.

Small ruminants' farms in Albania use hand milking. The milk bucket is constantly exposed to environmental conditions during the milking process. Most of the herds are milked in their bedded area, which poses the risk of milk contamination. In mountain areas, milk is mainly stored by using cold flowing water. Refrigeration is hardly ever used for milk storage.

The sector suffers also from increasing migration from rural areas and low attractiveness of the sector for young farmers. The quality of infrastructure is also a problem – poor quality of roads and limited access to water supply in mountain areas.

¹¹*Milk Sector Study* - the study was prepared in 2010 and updated in 2013 by the Project "Preparation of Inter-sectorial strategy for agriculture and rural development in Albania", funded by the European Union and facilitated by the FAO.

Sheep and goat milk is mainly used for cheese production and very little for direct consumption. It is intended mainly for family consumption. Farmers, who market their milk, deliver mainly to small traditional dairies. The organisation of collection and processing of sheep and goat milk is weak and takes place mainly through informal channels.

Market (mainly cow milk) is characterised by the existence of informal (direct selling from farmers) and formal market channels (collection and distribution by dairies). Usually there is no formalised contractual system established between milk producers and processors.

The milk collection and transport is one of the weakest points of the value chain. The collection of raw milk is organised mostly by milk processors and by private milk collectors. Often milk is not stored in cooling tanks during the whole in-farm storage period and during transport to the dairy plant. In addition, the majority of the milk containers, milk buckets and cans for the transportation, which are in direct contact with the milk, are not produced from food grade material, plastic or stainless steel. Inadequate cleaning and disinfection of the milk containers is commonly applied by milk producers.

The *milk processing industry* has recently shown progress by including new modern factories, especially in plain areas; however, the industry remains fragmented. The total number of milk processing establishments in Albania is 430¹².

In 2012 the industry produced 110,500 hl of milk, 33,936 tonnes of yogurt, and 13,264 tonnes of cheese. In the period 2007-2012, the biggest increase was registered in the production of milk – 87% and yogurt – 130%. The increase of cheese output was small – 3%.

There are 330 seasonal or very small establishments processing cheese of sheep and goat milk, using simple traditional technology and operating seasonally. The hygiene conditions of the majority of these establishments are not in conformity with the requirements of the Albanian legislation and the Union standards.

There are about 25 modern milk processing companies that apply advanced technologies, with processing capacity between 10-50 tonnes of raw milk per day. These companies have optimal production capacities, high diversity of products and growing share in the domestic market.

The sector as a whole continues to operate with outdated technologies, which constrain improvement of quality and diversification of products. Cheese is largely produced in small processing units, with basic equipment and a small production capacity. There are a few larger and better equipped plants, producing cheese, mostly from small ruminants' milk.

Many of the cheese producing establishments lack standard operation procedures and equipment for monitoring the technical parameters (temperature, fermentation, the right equipment for pasteurisation, skimming, and filtering, cooling, ripening storage), packaging, marketing and labelling of the cheese. About 70% of the cheese plants have no adequate storage capacities and the milk is processed daily. The breaches of quality and hygiene along the production and processing chain negatively affect the quality of output.

Only a small number of milk processing establishments have introduced or fully implement food safety management systems. Only few larger dairies producing cheese have internal systems of quality control, including raw milk control. The companies lack resources for introducing food safety systems as this requires significant investments in renovation of premises and purchase of control and laboratory equipment.

¹²Data source is ADAMA.

The dairy processing industry lacks adequate facilities and practices for treatment and utilisation of waste. The treatment of waste water from cleaning and residues from production process is mostly not in accordance with the standards.

The legal framework for hygiene rules related to placement of products of animal origin on the market is partly aligned with the EU *acquis*. Control of the compliance with national legislation is not fully effective due to the lack of equipment for inspections, lack of information systems for identification, control and follow up, weak laboratory capacity, etc.

Fruit and vegetables

The fruit and vegetable sector benefits from the favourable climatic conditions, enabling early production for several types of fruits and vegetables, which provides for an important export opportunity¹³.

There has been growth in the investments, in new greenhouses and fruit plantations, post-harvest investment, mainly cold storages for fruits supported by national schemes and donors, which provided targeted support to the development of value chain. Enhancement of experience of farm holdings and traders is affecting positively the sector development.

About 241,000 farms, or more than two-third of the total number of farms in Albania, are producing vegetables. Production of field vegetables is very fragmented and subsistence-oriented. Only about 10% of farms are specialised in open field vegetables and these are market-oriented holdings, making larger use of inputs, of hired workers and of mechanised agronomic services. About 5% of farms are specialised in greenhouse production.

The production base consists of about 31,000 ha of cultivated land with open field vegetables and melons crops, 9,300 ha cultivated with potatoes, 14,600 ha cultivated with beans and about 730 ha of protected crops (Table 3.2). The range of vegetables produced in Albania is relatively wide, with some 30 different types of vegetables, but the dominant crops are tomatoes, cucumbers, and peppers.

Table 3.2: Dynamics of vegetables production 2007 – 2012

Description	2007	2012
Surface with vegetables, including watermelons and melons (000 ha)	28.1	31
Protected crops surface (ha)	683	940
Production of vegetables (000 Mt)	671	914
<i>Of which: greenhouse vegetables</i> (000 Mt)	56.3	78.5
Surface with potatoes total (000 ha)	8.2	9.3
Production of potatoes (000 Mt)	154	233
Surface with beans total (000 ha)	14.6	14.6
Production of beans (000 Mt)	20.8	27.2

Source: MARDWA 2011 and INSTAT 2013

Volume of total domestic output of vegetables reached 914,000 tonnes in 2012, increasing by almost a third compared to 2007, including 254,400 tonnes of melons and watermelons, as well as 233,000 tonnes of potatoes and 27,200 tonnes of beans.

Domestic production dominates the local market, except for in the winter months, mostly because the high fuel costs for heating the greenhouses reduce competitiveness compared to imported products. There is an increasing demand for fresh fruit and

vegetables with strong preference of consumers for domestic fruit and vegetables.

Production of fruit is well distributed in most of the country, according to the climatic conditions and local traditions: the most important single crops are apples, whose core production area is Korca. About 152,000 farms, or 43% of total number of farms, produce fruits other than grapes.

¹³*Fruit and Vegetables Sector Study* - the study was prepared in 2010 and updated in 2013 by the Project "Preparation of Inter- sectorial strategy for agriculture and rural development in Albania", funded by the European Union and facilitated by the FAO.

Regional specialisation is also relatively high for plums, cherries and figs. In these specialised areas there is also a concentration of know-how and services; quality of relevant production is also recognised by domestic consumers, giving to producers from those areas a competitive advantage.

Production of fresh fruit has grown by 73.3% since 2007, reaching 208,000 tons in 2012. In the case of apples (main domestic fruit), production has almost doubled compared with 2007.

Production of nuts has also increased significantly and is expected to further grow as a result of recent plantation stimulated by the state support scheme – since 2007 1,268 ha were planted.

Currently, the production costs and farm gate prices for fruit and vegetables are high and not competitive due to the scarcity of post-harvest infrastructure; lack of investments in technology, especially irrigation, crop husbandry and harvesting equipment and lack of economies of scale.

The production cost of vegetables is high due to the lack of efficient scale, high cost and low quality of inputs, low investments in small scale mechanisation and irrigation, especially in small traditional farms. So far, the competitiveness of Albanian fresh vegetables on the domestic market has been helped by: (i) the strong preference of consumers for domestic production, (ii) the short distribution chain, (iii) the lack of cold storage facilities in main final markets and especially in Tirana, making the business of vegetables imports more difficult and less profitable, and (iv) low efficiency of distribution sector. Competitiveness of imported products is expected to increase in parallel with the growth of supermarket chains and with the improvement of the logistic infrastructures.

The system of services to the value chain is still insufficiently developed: most of the technical assistance received by farmers comes in the form of advice from input traders, therefore embedded in the cost of the inputs. The supply of agricultural inputs is improved, especially for propagation material, but the cost of inputs is still high compared with the neighbouring countries and commercial frauds are frequently reported for plant protection products and fertilisers.

At present, attempts are being made in Albania to reduce the use of chemicals by introducing new approaches, such as the integrated pest control (IPM) practices. Through donors support integrated pest managements for tomato crops cultivated in greenhouses and apples have been promoted. IPM demonstration projects have been conducted in some of the main producing areas such as Korca, Lushnja. However, implementation of integrated production methods remains limited.

Most fresh products are collected through local collectors/wholesalers and sold in green markets and traditional retail. The establishment of a network of wholesale markets has substantially improved the capacity of producers located far from the main urban areas to market their products.

Integrated commercial operators, the so-called “consolidators”, are emerging as the pivot players in these more dynamic segments of the value chain. These operators supply inputs and provide services to farmers, buy their products and sell them back to other wholesalers or even in international markets. These are also the operators who are investing more in different activities servicing production: they started investing in production of seedlings and after - in transport and marketing structures. More recently, they also started to invest in post-harvest facilities, receiving also some subsidies.

Marketing infrastructures improved in the last years: a network of wholesale markets is now established in the main production areas.

There are limited cold storage facilities and the consequent high losses of products for years has been the main cause of a strong trade deficit in apples, however the cold storage capacities have increased in the last years.

Fruit and vegetables processing industry is underdeveloped and structurally weak. There are 73 food processing companies specialised in fruit and vegetables processing (2011). Only few of these enterprises have yearly turnover exceeding EUR 1 million. Most enterprises process both fruit and vegetables.

Most of the enterprises are offering a similar range of products of processed fruit and vegetables – mainly pickles, sauces and jams. In this range of products, targeting low-end segments of demand, and local products are competitive. Albanian producers are not competitive in the high-end market segments (including high quality products, frozen products, dishes ready to eat, etc.) and in the market of semi-finished products used by other food industries. The above mentioned segments are quite promising and the challenge for the local industry is to become able to compete.

A key issue for the processing industry is the availability of adequate input supplies. The difficulty in finding sufficient supplies of domestic products is gradually being overcome, as trade and contractual relations between growers, local traders and processing industry are becoming more stable and consolidated. However, quality of supplies and high farm-gate prices (for industry needs) remain a major issue. High prices of energy/fuel and packaging (mostly imported) are a major concern for processors.

Limited application of food safety standards is a major constraint for the sector. Certified HACCP systems are implemented by two companies and two others are at an advanced stage of preparation for HACCP certification. This is to a large extent due to the use of out-of-date technology and premises, making it difficult to adopt quality and safety standards. Most of the processing lines do not even have the basic equipment for quality control of raw material and final products. Records of production parameters are kept, but not in a systematic way. Only in few cases there are proper traceability records. Labelling is improved, but still inadequate. Labels sometimes do not show the accurate weight and do not include both the date of production and expiry date. As a result, only few companies have been able to assure good quality of products and maintain the same quality standard in all products.

Grape cultivation and wine processing

Albania has very good soil and climatic conditions for development of viticulture. Grape cultivation is widespread and important source of income and self-employment for a high number of agricultural holdings.

Cultivation of grapes is typically made in two types of plantations, namely - vineyards and pergolas. In 2012 there were 262,000 farmers cultivating grapes in pergola and 56,000 in vineyards. Pergola grape is cultivated mainly for self-consumption (fresh or processed in wine and spirits).

The total area under vineyards is about 10,000 ha. About two-third of farmers cultivate up to 0.2 ha. The smaller farms typically have a mixed approach – part of grape is destined for sale (as fresh or processed on farm into wine or raki) and part - for a self-consumption. About 17,000 farms have vineyards of size above 0.2 ha, indicating a certain level of specialisation.

Both the stock of trees cultivated in pergolas and the surface of vineyards has been increasing, but the rate of increase of vineyards and relevant output is much faster, also due to the availability of support schemes for new vineyards. During the period 2007-2012, the area of vineyards increased by about 1,000 ha.

The main grape production areas are located between the hills and the coast of Central Albania. Fier, Berat, Elbasan and Vlora, are the regions with the highest share of output; these four regions account for more than half of the national output of grapes.

In 2012, grape production was 196,000 tonnes, of which 115,000 tonnes from vineyards. Production of grape has increased significantly by almost one-third compared to 2007, mainly as a result of the fast growth of output of vineyard grape. The share of grape from vineyards has been steadily growing and in 2012 accounted for about 60% of the output.

Domestic production dominates domestic supply of both grapes for processing and table grapes. The share of imports for both types of grapes has significantly decreased in recent years –to less than 5% in 2012. Due to increased domestic production, the import decreased in absolute value.

Wine grape quality is typically low due to unsuitable or heterogeneous cultivars and inefficient farming practices. It is reported that farmers are oriented more towards quantity rather than quality.

Both autochthon and imported cultivars are used for wine grape production. Among autochthon grape cultivars are Kallmet, Sheshi i Zi, Sheshi i Bardhe, Vlosh, etc. Imported varieties are many, including Merlot, Cabernet Sauvignon, Chardonnay, Riesling, Petit Verdon, Shiraz (in trial), Vranac, etc. High quality producing wineries tend to use more autochthon cultivars, particularly Sheshi i Zi and Sheshi i Bardhe, Kallmet, etc.

The climatic conditions are suitable for growing early table grapes and there is a potential for development of export of table grapes. However, there is a limited knowledge in table grape technology and significant investments are needed in planting, post-harvest handling and storage.

The competitiveness of the farmers is reduced by high prices and low quality of inputs. The main inputs are imported and their quality is reported to be low and price high due to uncompetitive market structure. The farming practices are weak - spraying is done without proper analysis, leading to high spraying cost and low yields.

The production is not mechanised due to small scale of farms and insufficient resources of farmers. Investments are needed to improve standards at farm level, including post-harvest, storage, grading etc.).

One key issue for the development of the value chain is the lack of connection/coordination between growers and processors, high production costs and lack of standardisation. Many wineries face difficulties in coordinating with farmers (unsuitable cultivar, irrigation right before harvesting, etc.). As a result, wineries started developing their own vineyards – having integrated production¹⁴.

At agroindustry level, there has been a marked growth in production of wine: in 2012 it was 97,600 HL. About 80% of the wine was produced on farm level. The production of wine declined in the period 2005-2012 by about 25% as a result of reduction of the farm level production.

The industrial wine production increased in the period 2005-2012 by 27% and in 2012 was 21,800 HL. Main factors behind the growth of production are investments to increase processing capacity. Many new wineries were established, some of them by returning emigrants. In total there were 94 wineries in 2013, most of them quite small.

¹⁴*Vineyards and Wine Value Chain Study*, Final report 2014. The study was prepared by the Project “Preparation of Inter- sectorial strategy for agriculture and rural development in Albania”, funded by the European Union and facilitated by the FAO.

Wineries in Albania may be divided in the three groups, as follows: (i) wineries producing high quality wine based on low plant density and low yields of grapes, critical selection, picking and sorting of grapes, gentle pressing and processing and finally, patient 24-36 months of aging in steel tanks/barrique; (ii) wineries – typical bigger wineries – producing large quantities of standard/table wine and to a minor extent wine based on selection and ageing 12-24 months; and (iii) wineries – typically smaller wineries – producing standard table wine with minor or no ageing and for immediate consumption.

The segment of quality wines is still quite underdeveloped, considering the size of the value chain. Markets for standard table wine are popular restaurants and shops, and for high quality wine the markets are higher standards restaurants and hotels, vinoteques, etc. The export of wine is negligible.

Local quality wineries are not yet competitive compared to the main regional competitors and to the main EU producers in terms of price/quality ratio. Therefore, import of quality wine is high and has been growing in the past decade, as demand for high quality wine is increasing with the increase of living standards and change of life style. There is an on-going consolidation of food distribution, favouring large producers and imported wine, while there is a dominance of imported wine in the segment of quality bottled wine and increasing competition from other regional producers.

The needs, which the wineries have in terms of wine production, are quite various. In some cases, vineyard capacity is the main bottleneck, in other cases – small wine processing capacity. There are also cases where both grape production and wine processing capacity are important bottlenecks – these are case of small wineries, which plan to grow.

A major challenge is to increase quality to meet the increasing domestic demand for higher quality wine. A slow process of quality improvement is recorded, simultaneously with the renovation of vineyards and investments in new technologies.

The sector study identified as a priority investments in cellars and processing and bottling lines, and laboratory equipment. A priority is also development of wine quality schemes, including Protected Geographical Indications and other quality schemes, requiring completing the legal framework, international recognition of autochthonous grape varieties, developing the (wine) product based on local/autochthon grape varieties, developing a common Code of Practice for the wine making from grape to glass and promoting collective action.

The safety standards in wine processing are low. The majority of wineries have no HACCP certification. Environment standards in terms of waste water disposal are poor.

3.3. Environment and land management

Biodiversity

Albania has rich *biological and landscape diversity*. There are around 3200 species of vascular plants and about 800 vertebrate species. Of the vascular plants, 27 are endemic and 180 sub-endemic, more than 300 sorts are aromatic and medicinal plants, which comprise an important natural economic resource, not totally exploited yet. Coastal lagoons and large lakes inside the country are important for wintering migratory birds. About 70 waterfowl and water bird species with a total population of 180 000 individuals are seen during the winter in Albania each year, and the country is also an important crossroad for the migration of birds, bats, and insects. The high forests maintain communities of large mammals, such as wolf, bear, lynx, and wild goat, and birds.

There are some 91 globally threatened species, among which: Daimatian Pelican (*Pelecanus crispus*), Pygmy Cormorant (*Phalacrocorax pygmeus*), and the Sturgeon (*Acipenser sturio*) for which Albania is a country of particularity critical importance.

The primary reason for habitat loss and degradation is deforestation in high mountain areas and desertification of arable land. The conversion of agricultural arable land for housing construction also leads to habitat degradation. Negative impacts on biodiversity have been identified in the coastal area – major contributing factors being the excessive flooding of large areas and erosion, discharge of untreated waste waters in rivers and illegal hunting.

Table 3.3: Protected area by type

Category of Protected Area	No	ha
Strict natural reserve/scientific reserve	2	4,800
National Park	15	210,501
Nature Monument	750	3,470
Managed natural reserve/natural park	22	122,974
Protected landscape	5	95,864
Protected area of managed resources/protected area with multiple use	4	18,245
Total	798	455,855

Source: Ministry of Environment

The protected area is about 456,000 ha. The proportion of protected territory has increased from 5.8% in 2005 to 15.8% in 2012, and a target for 2015 is to reach 20%.

In the last years, efforts have been made to strengthen nature protection legislation and to build capacity for the management of protected areas. With the support of EU and other donors' projects, management plans

of priority protected areas have been elaborated. In the beginning of 2015, National Agency of Protected Areas was established, with a General Directorate in Tirana and 12 regional Directorates. However, law enforcement remains weak and management practices of protected areas are not in line with EU standards. The performance of administration is constrained by insufficient human resources and funding, lack of basic equipment and infrastructure. Further strengthening of the management of protected areas is expected as a result of implementation IPA 2013 project, which will support strengthening of the capacity to design and implement protected areas management plans and elaborating of a preliminary list of potential NATURA 2000 sites for Albania¹⁵.

The main risks for *land abandonment* in Albania relate to: hilly relief of the country, remoteness and low population density in some parts of the country, poor soil quality, flood and soil erosion, as well as structure of farming system, land ownership and land market development. Recent studies estimate the share of land abandonment to be at around 12-13% of agricultural land.

Organic farming

In 2013 there were 51 organic operators, of which 27 producers/processors, 19 producers/exporters, 1 exporter and 4 importers. The area under organic production was 909 ha (0.1% of UAA). Organic certification is more common for MAPs –330.67 ha are certified mostly for wild collection in rural area¹⁶. Increasing trend of organic farming is observed in other subsectors, such as vegetables (6 ha), olives (70 ha), vineyards (20 ha) and orchards (113 ha).

Eight certifying bodies operate in the country (only one is Albanian). Since 2008, MARDWA provides support for the certification of agricultural products from cultivated plants, respectively for products destined for the domestic market. Several donors (USAID, GIZ, Swiss Development Cooperation) also support projects targeting the development of organic farming in the country¹⁷.

There are still gaps in legislation for organic production, and the capacity of local extension services with respect to organic production standards is insufficient. The underdeveloped value

¹⁵ IPA 2013 project - Strengthening national capacity in nature protection – preparation for Natura 2000 network.

¹⁶MARDWA & Albinspekt (published by the MOAN-Mediterranean Organic Agriculture Network).

¹⁷Institute of Organic Agriculture www.ibb.al; Albanian Inspection and Certification body, www.albinspekt.com.

chain and the weak links among manufacturers, processors/exporters and consumers constrain further development of organic farming in Albania.

Overall integrated pest management (IPM) is not well known, a few big farms have started to implement some IPM elements. IPM was promoted in Albania through several donor supported projects – focusing of research, development of training and extension capacity, demonstration projects, awareness rising and support to farmers to introduce IPM practices. As a result of implementation of these projects capacity in education and partly in training and extension have been developed. It is expected that the new Law on plant protection, which currently has been drafted, will give further stimulus for the spread of IPM and will contribute to the safer and sustainable management of plant protection products.

Soil

Soil erosion has increased, and appears as surface erosion, coastal erosion, and riverbank erosion, transportation of silt and impoverishment of soil fertility. More than 20% of Albanian soil is at risk of being eroded at a rate of more than 5 t/ha/year; 70% of territory is eroding at 20/ha/year; only 10% of the soil area is less affected by this phenomenon. Average annual intensity of water erosion process varies according to the land use, but the soil losses are estimated to be at an average of 16.4 t/ha annually (2010). The main factors causing erosion are: climatic (altitude, mountainous terrain, rainfall and bare slopes) and human activities, such as deforestation, irrigation with flow, decreased investments to maintain agricultural land, and fires in pastures and forests.

Decrease of the *soil organic* matter in arable lands is related to the widely applied practice in Albania of burning of stubbles. Inadequate farming techniques, non-application of crop rotation, decreased number of soil cultivations, low and unbalanced use of organic and mineral fertilizers, ineffective measures for plant protection also contribute to continuous degradation of agricultural land. Since 2009 there is a trend of increase fertiliser use per ha of arable land, reaching 90.9 kg per ha in 2012.¹⁸

Water

Albania is rich in *water resources* (lakes, rivers, springs, lagoons), with high quantity of available water, which covers about 65% of the total watershed area of 43,900 km². More than 152 torrents and small rivers form 8 large rivers, run southeast to northwest towards the Adriatic coast. The total annual mean flow is 1308 m³ s⁻¹, which corresponds to an annual water volume of 42.25x10⁹ m³ out of which 30% belong to the sub-terrene waters. This accounts for more than 13,000 m³ per capita annually, which is one of the highest in Europe.

About 91% of the Albanian population and only 57% of the rural population has access to water supply services.¹⁹ In rural areas not covered by water supply services, individual wells are main source of water supply.

In general, about 80% of the river-length meets the national standards for water quality. There are high levels of water losses, as well as risks of pollution and quality deterioration.

The main sources of water pollution are discharge of untreated wastewater from urban settlements, as well as from industries with obsolete technology and by the extensive use of chemical fertilisers and pesticides in agriculture. The uncontrolled dumping of urban waste on the banks of rivers exacerbates the problem of the quality of surface water. This high pollution load in surface water is leading to a deterioration of groundwater quality and especially concerns

¹⁸ WB data on fertilisers <http://data.worldbank.org/indicator/AG.CON.FERT.ZS>

¹⁹ National Strategy of Water Supply and Sewerage 2011-2017.

low-lying areas, where most of the population lives and most industrial and agricultural activities take place²⁰.

In the rural areas, waste is not collected at all and dumped uncontrolled. There is a lack of safe-places for manure storage on farm and sewage systems in many settlements, which poses risk not only to environment, but also to human health.

A comprehensive database of information on nitrogen levels and pesticides in lakes and groundwater is not yet available. National legislation and action plans for legislative approximation to the Water Framework Directive and the Nitrates and Urban Waste Water Directives have been adopted. Water resources management in Albania is organized within six administrative river basins (Drin– Bune, Mati, Ishem–Erzen, Shkumbin, Seman and Vjose) and six river basin councils are responsible for the protection, development, fair distribution and operation of water resources within its own basin boundaries. Six river basin agencies, which act as executive and technical bodies of the RBCs, are responsible for on-site inspection regarding all activities in terms of water resource usage. However, they have little authority to enforce legal and regulatory procedures and are still weak, understaffed and unstable, suffering especially from fragile financing.

Agriculture, after the energy sector, is the largest sector using water (mainly surface water). About 20% of the total precipitation falls in the summer, which makes *irrigation* during summer and drainage and flood protection in winter indispensable.

Existing infrastructure for irrigation, drainage and flood protection is built to enable the irrigation of about 360,000 ha, guaranteeing drainage to 280,000 ha. For irrigation, 560 million m³ of water from 626 irrigation reservoirs and 450 million m³ water from rivers are used, while use of underground waters for irrigation is limited. Farmers have irrigation access to about 200,000 ha, and are provided with drainage for area of about 230,000 ha from the surface of potentially drainable 280,000 ha.

After 1990, a large share of the irrigation and drainage systems were destroyed due to the lack of investment, insufficient budget allocations for operation and maintenance as well as an inadequate institutional framework for irrigation management. Through donor funded projects and resources from the state budget the irrigation infrastructure for more than 150,000 ha and drainage for approximately 180,000 ha of agricultural land was rehabilitated, and 60 dams and reservoirs and kilometres of river and marine protective embankments were rehabilitated. The irrigation surface was transferred from the state to Water Users Associations (WUA). However, in practice, the farmers' participation in irrigation management through the created WUAs provided far from the expected results, as the capacity of the farmers in irrigation service delivery was very limited, and in many cases farmers failed to cover operating and maintenance costs. Currently the ownership of 315 reservoirs and 640 pumping stations used for irrigation of about 100,000 ha of agricultural land are transferred to communes and municipalities with the aim to improve utilisation and maintenance of irrigation systems.

The total estimated area under the threat of *flooding* is more than 40,000 ha. There is a chain reaction from overgrazing, deforestation and erosion culminating in flooding, which is also accelerated by the poor maintenance of drainage canals and pumping stations. Likewise, adverse effects in low lands have the extraction of gravel from riverbeds, uncontrolled waste and drainage systems malfunctioning.

²⁰ Albania: Environmental Performance Reviews, Second review, 2012.

Air quality

Monitoring of ambient air quality is limited in Albania and it is mainly done in urban areas. There are many sources of air pollution in Albania; the main contributing sectors are transport, industry (oil and metallurgy), agriculture, and heating. Air quality in major urban areas has improved an average by 30%, but the rate remains problematic.

To address the problems, in 2014 the National Strategy for Air Quality and a new Law on Ambient Air Quality were adopted. The strategy envisages adoption and full implementation of European standards of air quality and air emissions, consolidation of the National Monitoring System, drafting and implementation of action plans for air quality in national and local level. Among others, the Strategy aims at reducing the impact of agriculture on air pollution and climate change by stimulating farmers to: use of fossil fuels efficiently; reduce heat loss at glasshouses; use of alternative energy sources; use fertilisers efficiently; reduce ammonia loss from slurry stores; reduce burning of farm waste and stubble.

Climate change

Albania is very vulnerable to *climate change* due to high exposure to extreme weather (drought, heat spell, flooding), high sensitivity (great reliance on hydropower, irrigation and large share of population living in low elevation coastal zones). This, combined with the low adaptive capacity due to the low GDP per capita and limited institutional capacity, may exacerbate effect on water resources, energy production, tourism, ecosystems, agriculture and coastal zones.²¹

The future climate scenario for Albania predicts changes, such as: increased temperatures, prolonged drought, increased risks of flood landslides and fires, decreased precipitation and reduction of water resources and increased pests and diseases on arable land with a negative impact on agriculture, forests and biodiversity.²² Impacts of climate change on the agricultural sector are expected to be mixed - with increase in production of wheat and alfalfa and reduction in grapes, olives and livestock. Albania has addressed mitigation and adaptation through the National Climate Change Strategy, which consists of a set of priorities for action in order to integrate climate change concerns into other economic development plans²³.

Albania's energy consumption per capita and its CO₂ emissions per capita are low, estimated at an average of 9.4 million ton/year of CO₂ equivalent.

GHG emissions in Albania totalled 7956 – 8540 tonnes CO₂ in 2005-2006. Contribution of the agricultural sector to GHG is estimated to be 35%. Methane represents 78% of this share mainly due to the enteric fermentation of livestock. In fact, 95% of this methane from the farm is emitted by cattle (73%) and sheep (16%) and the remaining - from manure management and burning of agricultural residues.²⁴

The production of *energy from renewable resources*, especially from agriculture and forestry sectors, is still underdeveloped in Albania, although potential exists for the utilisation of biomass for energy production from the following main resources: forest wood, urban wastes, agricultural residues, forest residues, and animal waste. The current type of utilised biomass is mainly fuel wood.

²¹Second National Communication of Albania to the United Nations Framework Convention on Climate Change, 2009.

²² National Report on Climate Change, 2008.

²³ Albania has ratified both the United Nations Framework Convention on Climate Change and its Kyoto Protocol with the status of a Non-Annex 1 Party. In the International Climate Change talks Albania has associated with European Union positions and within the restrictions of being a Non Annex I party committed to implement 'National Appropriate Mitigation Actions'-NAMAs.

²⁴ UN Commission for Europe Second Environmental Performance Review, 2012.

Data estimate sustainable annual harvesting possibility to be at around 1,152,000 m³. The firewood consumption is estimated to be at around 2 million m³, due to illegal cuts much higher than the official statistics records. The potential for bio-energy production is higher if the timber provided from thinning (35,000 m³/year) and timber provided from artificial plantations with species of short cycle of production, like willow, eucalyptus, poplar, acacia, tamarix is considered.

Another important biomass source, derived from the orchards, is calculated to be at about 457,000 tons per year. The potentially usable biomass is smaller than the total biomass, because part of waste are burned for different purposes. The biomass from energetic plants is not yet popular in Albania. Number of biogas, bio ethanol and bio diesel installations in the country are limited.

The Albanian Energy Strategy supports the development of small-scale energy facilities, especially those based on residues from the wood processing industries and agricultural activities, which are considered to be an important alternative energy source.

Forestry

Protected forests constituted 162,000 ha, or around 14.0% of the forests in the country in 2010. About 80% of these are for protection of soil and water and the remaining 20% - for conservation of biodiversity.²⁵

Deforestation is considered a major environmental problem in Albania. The forest areas decreased during the past decades due to cutting for fuel-wood and for increasing of the arable land. The accessible forest stands have been significantly degraded through overharvesting and overgrazing, which has changed the forest age structure and species composition and reduced the forest underwood. For several years tree felling has exceeded the net annual increment, resulting in a decrease in the growing stock.

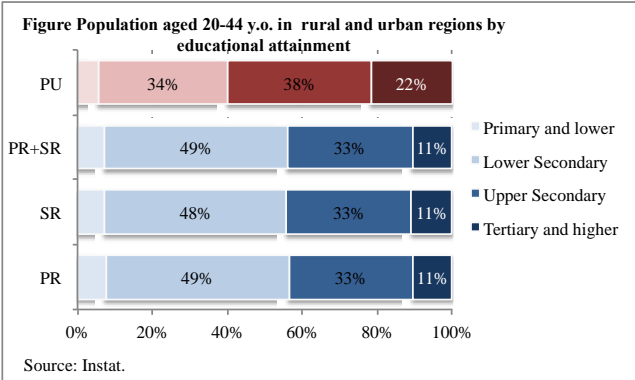
Forest fires, often human induced, are serious threat to the forest ecosystems. Fires resulted in considerable damage to forests and grasslands. In 2012, 158 fires destroyed a total of 54,130.7 ha (of which 43 795 ha were forests and other wooded lands and 9,305 ha other natural lands).²⁶

Forestry management is conducted currently through local governments, who are in charge of drafting forest management plans and establishing the technical and administrative bodies to conduct forest inventories and investment plans. The communes are responsible for managing the local forests in consistency with the management plan.

3.4. Rural economy and quality of life

In 2013 population of predominantly rural areas was 634,000 and in significantly rural - 1,121,000.

The high migration from rural areas results in *gradual depopulation of rural areas*. In the intercensal period 2001-2011 the population of predominantly and significantly rural areas decreased by 20%. The highest population decline was registered in Gjirokastra (36%), Diber (27.8%) and Berat (26.5%).



²⁵FAO, *Global Forest Resources Assessment 2010: Country Report Albania*, 2010.

²⁶ European Forest Fire Information System data.

There was a significant deterioration of the age structure of rural population between 2001 and 2011. The population below 15 years old decreased by 44%, the population in the age group 15-64 decreased by 14% and population at 65 and above increased by 28.2%.

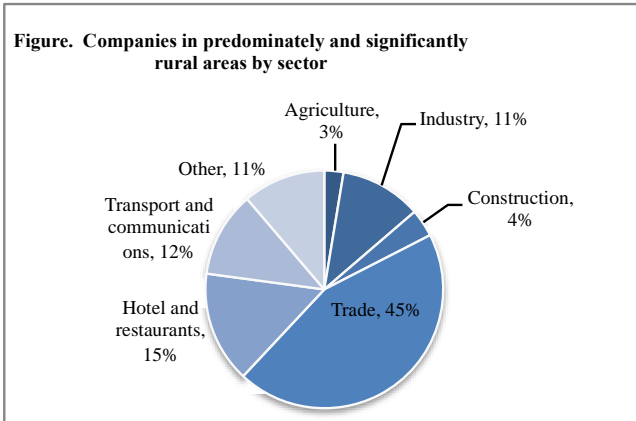
In 2011 the population in rural areas aged 20-64 years old was 1,203,400 (432,000 in predominantly rural and 771,400 in significantly rural areas). The educational attainment of the labour force in predominantly and significantly rural regions is much lower than in the urban areas. The share of population aged 20-64 years old with upper secondary and higher education in rural areas is 44% compared to 60% in predominantly urban areas (2011 census data). There is a significant gender educational gap - the share of women with the upper secondary and higher educational attainment in rural areas is 41% compared to 48% of men.

The predominantly rural regions contribute to 17.5% of GDP in Albania and significantly rural - to 35.2% (2009 data). The GDP per capita in predominantly and significantly rural regions is 20 percentage points lower than the country average.

Albanian rural areas are very dependent on agriculture. It creates the majority of jobs in rural areas and is the main source of income for the rural households. About 55% of the jobs in predominantly and intermediately rural areas are created in agriculture, compared to 22% in predominantly urban areas. Other important sectors of rural economy are industry and construction, contributing to 7-8% of employment each. Among the services, the most important is the retail and wholesale sector. About 10% of the jobs are created in public administration, education and health.

In 2012 there were about 51,000 active companies in predominantly and significantly rural areas, which accounted for about half of the active companies in Albania. About 96% are micro companies with up to 10 employees. In the majority (70%) of micro companies only one person is employed. In 2012 there were only 1760 small companies with 10 to 49 employees and 330 companies with 50 and more employees. The rate of new companies' creation was 12%, which is close to the country average.

The census of enterprises executed in 2010 revealed that 45% of all companies in predominantly and significantly rural areas were in trade and 38% - in other service sectors. The companies in predominantly rural areas accounted for 16% of the employment in the enterprise sector and in significantly rural areas – 30%.



Lack of employment opportunities outside agriculture and low incomes from farming greatly contribute to the rural poverty. The latest living standards measurement survey (LSMS) revealed that the poverty has increased in Albania from 12.4% in 2008 to 14.3% in 2012 and extreme poverty - from 1.2% to 2.2%²⁷. The poverty rate in the predominantly rural areas is 14.8%, which is close to the country average, but varies significantly from 10.7% in Gjirokastra to 21.8% in Kukes. In significantly rural areas, the poverty rate is lower than the country average - 13.8%. The LSMS revealed a significant reduction of poverty in the mountain regions (from 26.6% to 15.3%) which may be a result of the population shifts and continuation of movements from mountain areas to other regions. Coastal areas have the largest increase in poverty – in

²⁷ Poor population is defined as those with real per capita monthly consumption below USD 50; extremely poor population, defined as those with difficulty meeting basic nutritional needs. INSTAT, Albania: *Trends in Poverty 2002-2005-2008-2012*.

2012, 17.6% of the population is poor, compared to 13% in 2008. Similar are the data for Tirana area, showing a shift of poverty to urban areas.²⁸

Rural areas have underdeveloped and poorly maintained infrastructure (roads, electricity, water supply and sewage), both in terms of coverage and quality. A significant problem for market access and economic and social development in rural areas is poor quality of roads infrastructure. Albania has a road network of 12,000 km, including 9,500 km of rural roads, of which 5,000 km are local rural road network managed by the local governments and about 4,500 km regional roads governed by 12 regions. A significant share of local road network is unpaved and is reported to be in a poor condition – with some sections impassable most time of the year. The maintenance of local roads is a problem due to limited resources of local governments.

The rural roads infrastructure has been improving in recent years as a result of the implementation of a large scale multi-donors programme, including IPA EUR 51.3 million grant and EUR 140 million loans from EBRD, EIB, CEB supporting rehabilitation of 1,500 km of secondary and rural roads in Albania, which is implemented by the Albanian Development Fund. Yet poor quality of roads remains a major problem affecting the delivery of social, health and education services to rural population and market access of business.

The electricity supply has improved since late 2000 – electricity shortages (which were a problem not only for household daily life, but also for agriculture and agro-processing activities) are less common in rural areas. The 2011 Population census data showed that there are disparities in the access to basic infrastructure. The share of population that has access to piped water in rural areas is about 85%, but is much lower in smaller towns and villages – 59%. About 87% of households in predominantly rural areas and 61% in significantly rural areas rely on wood as their main energy source against only 35% of urban areas.

The penetration of broadband is low in Albania. Only 8% of the households in predominantly and significantly rural areas have access to Internet, compared to 19% in predominately urban regions. The share of rural households with computers is 14%, compared to 30% in predominantly urban regions.

Social infrastructure and services, especially in rural and remote areas, are insufficient. There are gaps and needs for improvements in health services as well as educational infrastructure in rural areas, especially in disadvantaged/mountainous rural areas.

The conducted in-depth study on diversification of economic activities in rural areas in Albania outlined the major sectors that have potential to create new jobs and incomes in rural areas²⁹. These are shortly described below.

Medicinal and aromatic plants (MAPs) are an export-oriented sector with traditions, developed markets and good potential for growth (more than 95% of collected/produced MAPs are exported). Albania is among the top 25 exporters of MAPs in the world. The export of MAPs has been growing and reached 9,780 tonnes in 2012, amounting to EUR 18.5 million or 20% of the total agricultural exports of Albania. The most important export products are sage, oregano, thyme, lavender and savoury. A small but increasing flow of export of essential oil is also recorded as the processing capacity in the country is also increasing.

The production base consists mostly of wild MAPs, available all over the country. Rich biodiversity in Albania represents important potential for MAPs sector development. More than

²⁸ INSTAT, Albania: *Trends in Poverty 2002-2005-2008-2012*.

²⁹ *Sector Analysis for the Diversification of the Rural Economy in Albania*, Final report, 2014. The study was prepared by the Project “Preparation of Inter- sectorial strategy for agriculture and rural development in Albania”, funded by the European Union and facilitated by the FAO.

400 species are identified as MAPs in Albanian flora out of which more than 200 species are collected and traded.

MAPs are an important sector of rural economy. Surveys showed that in some rural areas almost all families get a significant share of their incomes in MAPs collection. Wild MAPs collection is more developed and organised in mountainous areas. In some areas in Northern Albania (Malesia e Madhe, Kukës and Diber) MAPs harvesting and cultivation accounts for between 30% and 40% of the income of rural families. The sustainable increase of supply and quality of wild MAPs requires expanding and upgrading of facilities and technology for sorting, grading, drying and storage. Promotion of sustainable harvesting methods, improved traceability of wild MAPs and better governance of the sector are also needed to prevent overexploitation of natural resources.

The competition for supplies of raw material and the decrease of collection of wild MAPs, due to depopulation of rural areas has pushed trading companies to stimulate the cultivation of MAPs. The most cultivated MAPs are sage, oregano, thyme, and lavender. The estimated number of cultivating farmers at country level is slightly above 4,000 (most developed in Shkodër).

It is estimated that the production of cultivated MAPs has a potential to increase significantly, favoured by availability of suitable land, labour, and high market demand. The development of the cultivated MAPs requires increased investments of farmers, quality input supplies (certified seeds and saplings), specialisation of production by end use of the product, improvement of cultivation and post-harvesting practices. Investment in the specialised advisory services (training, extension materials, etc.) for MAPs cultivation is also needed to improve land management practices and quality.

The MAPs value chain consists of *regional/district level collectors*, which perform some simple operations - drying, cleaning, etc. There are about 30 local regional/district level collectors, selling to *processors*, which conduct added value activities of cleaning, grinding and packaging. There are around 20 *small processors-exporters* operating in the MAPs sector in Albania, and 10 medium to *large processors/exporters*³⁰.

Currently, Albania produces annually between 35MT and 40 MT of *essential oils*, which is produced by an increasing number of small, medium and large processing companies. Each of these companies has a distillatory operating with steam technology. The main essential oils produced include sage, juniper, oregano, thyme and winter savoury essential oils.

The production capacity and output of *honey* has also been increasing. The number of beehives increased from 171,000 in 2007 to 239,000 in 2012 (40%) and honey production - from 2071 tones in 2007 to 3084 tones in 2012 (49%). About half of the honey is produced in 3 regions – Vlora, Korça and Elbasan. The beekeepers of the Vlora region, and especially in Saranda, are the most consolidated and market oriented.

In most of the other regions of Albania, honey production remains a component of subsistence farming with mixed systems of production. Only 15% of the production is based on producers who have more than 50 beehives. The production technologies are out-dated (beehives) and there are needs for investments in establishment of modern hives, as well as extraction, filtering and packaging equipment. There is a need of guidance to farmers for complying with standards for extraction, handling and processing of honey.

The honey is mainly produced for the domestic market with small quantities exported. The most valuable products are chestnut honey and honey based on mixed flowers and medicinal herbs.

³⁰*Medicinal and Aromatic Plants. Mini-Sector Study, Final report, 2014.* The study was prepared by the Project “Preparation of Inter- sectorial strategy for agriculture and rural development in Albania”, funded by the European Union and facilitated by the FAO.

There is a scarce supply and limited market of royal jelly, bee pollen, wax, and propolis. The main market for the Albanian honey is in the larger cities. Another part of the honey is bought at the farm gate in bulk from merchants or else the beekeeper transports raw honey from the farm to nearby local retailers. Market control and safety criteria are hardly implemented and weak traceability hinders the promotion of local and regional products.

The *mushroom* production varied between 100-130 tones in the period 2007-2011. In recent years new investments have been made with donors' support, which contributed to the increase of production and processing capacity. The sector has the potential for growth based on increased demand of local market.

Aquaculture is an important activity and has potential for development, interweaving social, economic, biological, ecological and environmental aspects. Comparing to other agricultural sectors, aquaculture subsectors have modest economic importance and weight, but in case of extensive introduction of controlled and licensed culture based fisheries, the production could be at least 2 – 2.5 times higher than at present, which could provide reasonable incomes for individuals, enterprises and communities.

The variety of water resources in Albania, including lakes, rivers, irrigation reservoirs, costal lagoons and marine coastline give opportunity for cultivation of different species, using different cultivation methods³¹. The production of carps is through cultivation in natural lakes and reservoirs, rainbow trout is grown in intensive systems in tanks, while sea bass and sea brim are farmed in cages along the Ionian coast.

In 2012 aquaculture production amounted to 2020 tones, of which 38% were mussels. Aquaculture increased sharply from 85 tonnes in 2001 to about 2472 tonnes in 2007, but since then output has declined by nearly 23% and there were big variations in annual production.

The mussels production has long traditions in Albania, but output has decreased significantly in 1990s due to the export ban of live bivalve molluscs. In the beginning of 2000s, production increased to about 1,400-1,500 tonnes but in recent years there was big variation on production. The main problems relate to hygiene standards, especially for mussels and bivalve molluscs, which hampers the sectors' export.

The aquaculture development is favoured by increased demand for fish products, related to increase of incomes and developing tourism industry. Consumption of fish and fish products has nearly doubled but still remains low (5.2 kg per capita annually).

On-farm processing of agricultural products is very common and provides an important part of rural household incomes. The incomes from on-farm processing are estimated to be at about EUR 59 million in 2012, of which 28% is processing of animal products. Traditional livestock products include yoghurt, butter, curd and different kinds of cheese from cow, sheep and goat milk. On-farm processing contributes to the retaining of farming and utilisation of farm facilities in remote mountain areas, which lack infrastructure. Thus, sheep and goat milk are processed in the mountains, due to the lack of infrastructure for transportation of fresh milk to collection points.

The production is mainly for self-consumption or is traded at the local markets. The production and marketing is characterised by high informality. The on-farm processing suffers from poor compliance with hygiene standards due to inadequate facilities and basic equipment, low level of knowledge of farmers on new technology and hygiene standards.

³¹*Review of Albanian Inland Fishery and Aquaculture Subsectors*, Final report 2014. The study was prepared by the Project "Preparation of Inter- sectorial strategy for agriculture and rural development in Albania", funded by the European Union and facilitated by the FAO.

The Albanian consumers have a strong affinity to traditional and regional products, especially meat, but also products made of milk, fruits and vegetables. The existing local and regional markets have great potential for further development, if facilities and equipment are upgraded and producers start to promote and distribute their products with a professional approach, valorising their competitive advantage. There is an opportunity to develop quality schemes based on geographical origin and traditional specialities, thus increasing value-added. There are no different (lower) minimum food safety standard for on-farm processing and direct marketing, as it is in many MS, which threatens the sustainability of the sector.

Tourism has grown significantly in Albania over the past years. The tourism industry directly generated 6.1% of GDP and 35% of export revenues and directly or indirectly supported nearly 20% of total employment in 2012. The numbers of international visitors to Albania increased to nearly 3.5 million arrivals in 2012. About 80% of the visitors to Albania came from Kosovo* (46%), FYROM and Southern Europe. Albania is heavily dependent on the summer season, with 50% of tourist arrivals in July and August.

Coastal tourism in Albania has been the main product. It is limited to beach and sun tourism and is characterised by high seasonality. Majority of tourists to coastal destinations are from Albania, Kosovo* and the former Yugoslav Republic of Macedonia.

Rural areas in Albania offer possibilities for the development of rural tourism, ecotourism and nature based activities (river rafting, paragliding, mountain biking, fishing, trekking, climbing, hiking, horseback riding, study tours, etc.). The rural areas have also potential for the development of cultural tourism based on the World Heritage Sites at Butrinti archaeological park, Berat and Gjirokastra as well as culture-specialised tourist products (folk festivals, rural lifestyles, village celebrations, etc.).

Nature Tourism with a strong link to National Parks and other protected areas has good potential for development both for domestic and foreign markets.

Based on various studies, estimates show that about 60% of the NUTS 3 regions have sufficient natural resources and assets to develop *nature, rural and cultural tourism*. Several of them have already included tourism development as a strategic priority in their development plans. Currently rural tourism is concentrated in a limited number of regions, mainly in the (i) Southern part of the country (Vlora, Saranda and Gjirokastra); (ii) Northern Alps (Vermosh, Theth and Valbona in Shkodra and Kukes regions); and (iii) Korca region (Dardhe, Voskopoje and Vithkuq).

Nature and rural tourism sector until now is small but growing. Strategies for rural tourism development at regional or local level have been prepared with the support of different donors and assistance is provided for implementation of integrated projects. There are successful projects implemented in Shkodra and Kukes, supported by GIZ, combining upgrading of accommodation, development of services and active promotion. The initiative for the development of nature and rural tourism, realized with the support of GTZ in 2007 and the involvement of Thethi village community, resulted in the set up of a guesthouses network and marking of hiking trails in the area, which led to a significant increase of number of tourists.

Cultural, nature and rural tourism in many cases are combined. The districts of Permet and Gjirokastra have developed a range of tourism services, as additional offers for culture tourism in the surrounding of the most frequented tourist destinations of UNESCO World Heritage sites of Butrint, Gjirokastra and Berat. The region of Korca, as well as some other regions provide a good example for successful tourism development, based on co-operation between local

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

authorities and business for consolidating tourism development efforts, e.g. Pogradec and Korca City, Prespa Lakes, with the creation of trans-border national park, and hiking system around the mountain villages of Voskopoja, Vithkuq and Dardha.

Rural areas near the southern coast have a great potential to attract tourists by providing on-farm tourism activities and facilities for leisure and recreation, e.g. the region of Vlora, focused on integrating sea tourism with agro/rural tourism and cultural tourism based on UNESCO World Heritage site at Butrint.

There are opportunities to develop recreational and leisure tourism in rural areas, which are near to urban centres as well, relying on the increasing interest of urban population for combined experience with nature, rural life and traditional food.

The development of rural tourism is constrained by the lack of adequate quality of accommodation and catering facilities and underdevelopment of tourist attractions. In some regions investments in accommodation facilities have been made, ranging from reconstruction of traditional houses with little improvements of sanitary conditions to newly built hotels and pensions. The investment in traditional buildings has a strong advantage of preserving the heritage and improving the overall attractiveness of the area, as many old buildings are neglected or abandoned.

A significant problem is the difficult accessibility of some rural areas with potential for tourism due to poor road infrastructure. In some areas the attractiveness of the landscape and nature is damaged by landfills, problems with water supply and sewage.

The rural tourism can capitalise on the strong hospitality of Albanian people, but there is a lack of experience, skills and capacities to supply quality services to tourists. Development of rural tourism requires also strengthening the co-operation between different partners at local level – local authorities, non-governmental organisations and business, and may benefit significantly from Leader approach for territorial development.

The *Tourism strategy 2014-2020* aims at developing of Albania as an attractive, authentic and hospitable/welcoming tourism destination in Europe, based on sustainable use of natural, cultural and historic potentials. It is focused at consolidating and designing of new, competitive destinations, prioritising tourism development areas, sites and attractions in Albania.

According to the Tourism strategy, Albanian tourism development will be focused in four main products: culture and heritage tourism, nature tourism, rural tourism and coastal tourism. Albania will be promoted in international markets as a single destination - country with a diverse combination of distinct tourism activities at a small geographical area.

The Tourism strategy establishes that tourism destination will be the core and focal point of the tourism development. This will require product development to be focused and related with destination development. Projects supporting tourism development will be prioritised and concentrated on priority tourism destinations. The Strategy puts as a target development of 30 destinations (10 with highlight on culture, 10 - nature, 10 - coast) with marketable products, structures, plans, implementation mechanisms and budget in place, 200 tourism attractions (of which 100 culture, 50 nature). The priority destinations and attractions will be specified in the Tourism Master Plan.

Local hand-crafts have long traditions and can enrich tourism experience, preserving and developing cultural, artistic and historical traditions and creating incomes in rural areas, if integrated with tourism development. There are some active non-governmental organisations,

which support development and marketing of local crafts³². The local crafts have some export potential, if marketing is well organised.

There are also opportunities for development of other gainful activities in rural areas based on local resources, local or export demand.

3.5. Preparation and implementation of Local Development Strategies – Leader

The territorial rural development was first introduced as a policy priority with the Rural Development Cross-cutting Strategy 2007-2013, although targeted actions by MARDWA were not implemented.

Main driving force for Local Economic Development (LED) through mobilisation of areas' endogenous resources were international donors and community support organisation, which in cooperation with private sector and local/regional authorities established local strategies and implemented small scale initiatives for development of local communities, based on jointly prioritised objectives. The most active donors in this area were IFAD, DFID³³ (through Oxfam, which established 3 LAGs), SNV³⁴, UNDP, German Government (through GIZ), World Bank, etc.

In few of these initiatives, rural development was the main target – most related to poverty alleviation, protection of environment, gender equality and private sector development, although often implemented in rural and remote areas. This approach led to setting up of Local Action Groups which implemented projects in the territory and initiated national rural networking activities through series of capacity building, awareness raising and training events.

The *'Sustainable Development in Rural Mountains Area Programme'*, supported by IFAD promoted setting up of 21 Mountain areas community forums in Shkodra, Lezha, Kukes and Diber regions, and the districts of Korca, Librazhd, Gramsh and Pogradec.

Oxfam, through the locally established NGO QuoDev, supported the creation of 3 LAGs: LAG Drini-Diber (Northeast Albania); LAG Maranaj-Shkodra (Northwest Albania) and LAG AdriJon Vlora (Southwest Albania), which in total cover 11 communities (58 villages and more than 120,000 inhabitants) with the aim to strengthen the role of rural women in determining local development priorities and stimulating economic growth of the territory.

SNV supported initiative for the establishment of Albanian Rural Organisations Network in fruit growing, small ruminants, herbs and spices sectors, aiming to support networking among members and encouraging them to become active actors in rural development initiatives through awareness raising, networking and capacity building.

UNDP with the ART GOLD Programme in the regions of Durres, Gjirokastra, Shkodra and Vlora also promoted participatory approach to LED through elaboration and implementation of Strategic Development Plans with particular attention to the most vulnerable groups addressing: governance, environmental protection, social services and healthcare, culture and education issues to achieving the Millennium Development Goals and fostering cultural dialogue and European integration process.

³²Gjirokastra Conservation and Development Organisation, Association of Traditional and Artistic Crafts and Trade – Pogradec, Rozafa Foundation, etc.

³³Department for International Development UK.

³⁴The Netherlands Development Organisation.

Strategies for the Local Economic Development of Berat, Durres, Korca, Lezha and Shkodra municipalities in Albania were developed within the support of DELTA Programme³⁵ with the aim to impact the restructuring of local economy through private sector development. The Programme contributed to increasing citizens' participation and enhancing mutual accountability with developing local strategies and implementation of projects to improving the quality of services in the areas.

Institute for Democracy and Mediation- a Tirana based think-tank - promoted LEADER approach through awareness raising events, publication of surveys and policy documents, organisation of workshops, conferences and advocacy.

Cross-border LAG cooperation was encouraged through "Environment for People in the Dinaric Arc" Project³⁶ which supported setting up of LAGs and the signing of a Memorandum of Understanding between LAG of Albania and Montenegro concerning cooperation in environmental protection, tourism, recreation and sustainable development in the territories of two border communities in the Bjeshket e Namuna/Prokletije Mountains.

3.6. Table of context indicators

	Indicator	Unit	Value	Year	Comments/ Source
I. Socio-economic indicators					
1	Population				
	total	Inhabitants	2,898,782	2013	INSTAT
	predominantly rural (PR)	% of total	22.7%	2013	INSTAT
	intermediate (IR)	% of total	40.2%	2013	INSTAT
	predominantly urban (PU)	% of total	37.1%	2013	INSTAT
2	Age structure				
	total < 15 years	% of total population	20.6 %	2013	INSTAT
	total 15 - 64 years	% of total population	68 %	2013	INSTAT
	total > 64 years	% of total population	11.4 %	2013	INSTAT
	PR < 15 years	% of PR population	21.6 %	2013	INSTAT
	PR 15 - 64 years	% of PR population	66.6 %	2013	INSTAT
	PR > 64 years	% of PR population	11.8 %	2013	INSTAT
	IR < 15 years	% of IR population	20.3 %	2013	INSTAT
	IR 15 - 64 years	% of IR population	67.7 %	2013	INSTAT
	IR > 64 years	% of IR population	12 %	2013	INSTAT
	PU < 15 years	% of PU population	20.4 %	2013	INSTAT
PU 15 - 64 years	% of PU population	69.2 %	2013	INSTAT	
PU > 64 years	% of PU population	10.4 %	2013	INSTAT	
3	Territory				
	total	sq. km	28,748	2013	INSTAT
	predominantly rural (PR)	% of total area	45.8%	2013	INSTAT
	intermediate (IR)	% of total area	45.8%	2013	INSTAT
	predominantly urban (PU)	% of total area	8.4%	2013	INSTAT
4	Population density				
	total	inhab / sq. km	101	2013	INSTAT
	predominantly rural (PR)	inhab / sq. km	48	2013	INSTAT
	intermediate (IR)	inhab / sq. km	85	2013	INSTAT
	predominantly urban (PU)	inhab / sq. km	427	2013	INSTAT
5	Employment rate				
	total (15-64 years)	% of population of the same age group	50.2	2013	INSTAT
	male (15-64 years)		57.5	2013	INSTAT

³⁵ DELTA Programme (Developing Enterprises Locally through Alliance and Action), supported by WB and the Open Society Institute.

³⁶ Implemented by IUCN (International Union for Conservation of Nature), WWF Mediterranean Programme and SNV and funded by the Ministry for Foreign Affairs of Finland.

	Indicator	Unit	Value	Year	Comments/ Source
	female (15-64 years)	and sex	43.6	2013	INSTAT
	total (20-64 years)		57.2	2013	INSTAT
	male (20-64 years)		65.1	2013	INSTAT
	female (20-64 years)		49.9	2013	INSTAT
	rural areas (total, male, female)	%	:		
6	Unemployment rate				
	total (15-64 years)	% of population of the same age group and sex	16.1	2013	Labour force survey (LFS)
	male (15-64 years)		18.1	2013	LFS
	female (15-64 years)		13.5	2013	LFS
	youth (15-29 years)		26.7	2013	LFS
	total (15+)	% of population of the same age group and sex	15.6	2013	LFS
	male (15+)		17.5	2013	LFS
	female (15+)		13.2	2013	LFS
	youth (15-29 years)		26.7	2013	LFS
	rural areas	%	:		
7	GDP per capita				
	national GDP per capita	EUR/inhabitant	3,312.5	2012*	Semi final data
		PPS/inhabitant	7,512.7	2012*	Semi-final data
		Index PPS (EU-28 = 100)	30	2012*	Semi final data Index of PPS is expressed in (EU-28=100)
	rural areas		:		
8	Structure of the economy				
	Total GVA	EUR million	8,326.5	2012*	Semi final data
	primary	EUR million	1,817.3	2012*	Semi final data
	secondary	EUR million	2,213.0	2012*	Semi final data
	tertiary	EUR million	4,296.1	2012*	Semi final data
	primary	% of total	21.8	2012*	Semi final data
	secondary	% of total	26.6	2012*	Semi final data
	tertiary	% of total	51.6	2012*	Semi final data
9	Structure of the employment				
	Total	1000 persons	992	2013	LFS
	primary	1000 persons	453	2013	Section A,B of NACE rev 1.1; LFS , 2013
	secondary	1000 persons	160	2013	Section C,D,E,F of NACE rev 1.1; LFS , 2013
	tertiary	1000 persons	379	2013	Section G to U of NACE rev 1.1; LFS , 2013
	primary	% of total	45.6	2013	Section A,B of NACE rev 1.1; LFS , 2013
	secondary	% of total	16.1	2013	Section C,D,E,F of NACE rev 1.1; LFS , 2013
	tertiary	% of total	38.2	2013	Section G to U of NACE rev 1.1; LFS , 2013
10	Labour productivity by economic sector				
	Total	EUR/person	8 394	2013	
	primary	EUR/person	4 012	2013	
	secondary	EUR/person	13 831	2013	
	tertiary	EUR/person	11 335	2013	
II. Sectorial Indicators					
11	Employment by economic activity				
	total	1000 persons	992	2013	LFS 2013
	agriculture	1000 persons	439	2013	LFS 2013
	agriculture	% of total	44.3	2013	LFS 2013
	forestry	1000 persons	:		

	Indicator	Unit	Value	Year	Comments/ Source
	forestry	% of total	:		
	food industry	1000 persons	:		
	food industry	% of total	:		
	tourism	1000 persons	:		
	tourism	% of total	:		
12	<i>Labour productivity in agriculture</i>				
	GVA per full time employed person in agriculture	EUR/AWU	:		
13	<i>Structure of agricultural production</i>				
	cereals	% of the total output	9.1	2012	
	meat	% of the total output	18.3	2012	
	milk	% of the total output	20.6	2012	
	fruit and vegetable production	% of the total output	14.7	2012	
14	<i>Labour productivity in in the food industry</i>				
	GVA per person employed in the food industry	EUR/person	:		
15	<i>Agricultural holdings</i>				
	total number of holdings	1000 holdings	351	2012	
	average size	ha UAA/holding	:		
	farm size <2 Ha	1000 holdings	302	2012	
		% of total	86	2012	
	farm size 2 and above	1000 holdings	49	2012	
		% of total	14	2012	
16	<i>Agricultural Area</i>				
	total UAA	ha	1,201,000	2012	
	arable	ha	619,100	2012	
		% of total UAA	51.5	2012	
	permanent grassland and meadows	ha	505,303	2012	
		% of total UAA	42.1	2012	
	permanent crops	ha	76,900	2012	
		% of total UAA	6.4	2012	
17	<i>Agricultural area under organic farming</i>				
	certified	ha	909 ha		MARDWA
	in conversion	ha	:		
	certified plus in conversion	% of total UAA	0.1%		MARDWA
18	<i>Irrigated land</i>				
	Total irrigated land	ha	204,735	2012	
		% of total UAA	17	2012	
19	<i>Animal husbandry</i>				
	Cattle - total	1000 heads	498	2012	
	Dairy cows	1000 heads	358	2012	
	Sheep - total	1000 heads	1,809	2012	
	Goats	1000 heads	810	2012	
	Pigs	1000 heads	159	2012	
	Poultry - broilers	1000 heads	9,494	2012	
	Laying hens	1000 heads	5,938	2012	
20	<i>Farm labour force</i>				
	total regular farm labour force	1000 persons or 1000 AWU	:		
	male regular farm labour force	1000 persons or 1000 AWU	:		
		% of total	:		
	female regular farm labour force	1000 persons or 1000 AWU	:		
		% of total	:		
	family labour force	1000 persons or 1000 AWU	:		
		% of total regular labour force	:		
	sole holders working in the farm	1000 persons or 1000 AWU	:		

	Indicator	Unit	Value	Year	Comments/ Source
		% of total regular labour force	:		
	- members of the sole holder's family working in the farm	1000 persons or 1000 AWU	:		
		% of total regular labour force	:		
	non-family labour force	1000 persons or 1000 AWU	:		
		% of total regular labour force	:		
	non-regular labour force	1000 persons or 1000 AWU	:		
21	Age structure of farm managers				
	total number of farm managers	1000 persons	:		
	35 years or less	1000 persons	:		
		% of total	:		
	35-55 years	1000 persons	:		
		% of total	:		
	55 years or more	1000 persons	:		
		% of total	:		
	ratio <35 / >= 55 y		:		
21	Agricultural training of farm managers				
	total number of farm managers	1000 persons	:		
	total with basic training	1000 persons	:		
		% of total	:		
	total with practical experience only	1000 persons	:		
		% of total	:		
	total with full agricultural training	1000 persons	:		
		% of total	:		
	number of farm managers - 35 years or less	1000 persons	:		
	35 years or less with basic training	1000 persons	:		
		% of age group	:		
	35 years or less with practical experience only	1000 persons	:		
		% of age group	:		
	35 years or less with full agricultural training	1000 persons	:		
		% of age group	:		
	number of farm managers - 35-55 years	1000 persons	:		
	35-55 years with basic training	1000 persons	:		
		% of age group	:		
	35-55 years with practical experience only	1000 persons	:		
		% of age group	:		
	35-55 years with full agricultural training	1000 persons	:		
		% of age group	:		
	number of farm managers - 55 years or more	1000 persons	:		
	55 years or more with basic training	1000 persons	:		
		% of age group	:		
	55 years or more with practical experience only	1000 persons	:		
		% of age group	:		
	55 years or more with full agricultural training	1000 persons	:		
		% of age group	:		
23	Gross fixed capital formation in agriculture				
	GFCF	EUR million	63.9	2012	annual data
	share of GVA in agriculture	% of GVA in agriculture	21.8	2012p*	GVA in the primary sector
24	Forest and other wooded land (FOWL)				
	total	1000 ha	1,041	2013	
	share of total land area	% of total land area	36	2013	
25	Tourism infrastructure)				
	Number of bed-places in	Number of bed-	32,004	2012	Annual structural

	Indicator	Unit	Value	Year	Comments/ Source
	collective tourist accommodation establishments	places			Business Survey
26	Land Cover				
	share of agricultural area	% of total area	24.2	2012	Arable land and permanent crops
	share of natural grassland	% of total area	17.6		Permanent grassland
	share of forestry land	% of total area	36.2		Total wooded area
	share of transitional woodland shrub	% of total area			
	share of natural area	% of total area	87		Ministry of Environment
	share of artificial land	% of total area	10		Ministry of Environment
	share of other area	% of total area	3		Ministry of Environment
27	Farmland Birds				
	total (index)	Index 2000 = 100	:		
28	Grassland areas and their conservation status				
	Total area of grassland	ha and % of grassland under each protection status	:		
29	Protected Forest				
	class 1 'Biodiversity conservation'	% of FOWL area	3.8	2013	Administrative data
	class 1.1 No active intervention	% of FOWL area	20	2013	Administrative data
	class 1.2 Minimum intervention	% of FOWL area	9.2	2013	Administrative data
	class 1.3 Conservation through active management	% of FOWL area	12.2	2013	Administrative data
	class 2 'Protection of landscapes'	% of FOWL area	1.8	2013	Administrative data
30	Water quality				
	1. Gross Nutrient Balance (4 year average): 1.a) Potential surplus of nitrogen (GNS) on agricultural land 1.b) Potential surplus of phosphorus on agricultural land	1.a) kg N/ha/year (nitrogen) 2.b) Kg P/ha/year (phosphorus)	:		
	2. Nitrates in freshwater 2.a) Groundwater 2.b) Surface water	% of monitoring sites in 3 water quality classes	Moderate quality water class	2013	
31	Soil erosion by water				
	rate of soil loss by water erosion	tonnes/ha/year	9.51	2013	
	agricultural area affected by moderate to severe water erosion (>11 t/ha/yr)	ha	:		
		% of agricultural area	:		
	arable and permanent crop area affected	ha	:		
		% of agricultural area	:		
permanent meadows and pasture affected	ha	:			
	% of agricultural area	:			
32	Production of renewable Energy from agriculture and forestry				
	from agriculture	kToe	:	:	:
		% of total production of renewable energy	0.02	2013	Ministry of Environment
from forestry	kToe	206.5	2012	Comment: Data refers to Biomass	

	Indicator	Unit	Value	Year	Comments/ Source
					(Fuel wood)
		% of total production of renewable energy	12.32	2012	

Notes: = not available; p = provisional; * = data source: European Commission, Albania Progress Report, 2014.

4. SWOT – SUMMARY OF THE ANALYSES ABOVE

4.1. Agriculture, forestry and food industry (including. separate table for each sector selected for support)

Meat and meat processing

Meat	
Strengths	Weaknesses
<ul style="list-style-type: none"> • Extensive area with pastures and meadows, which are suitable for grazing; • Long fodder growing season; • Long traditions with breeding small ruminants and livestock production in general; • Existing basic structures for extension and technology transfer. 	<ul style="list-style-type: none"> • Problems with pasture management in terms of vegetation, biodiversity, overgrazing, etc. • Small-scaled farm structure and prevailing subsistence farming; • Inadequate physical capital (premises/facilities), low level of mechanisation at farm level and limited application of modern technologies, storage and management of manure; • Low yields in fodder production/lack of mechanisation; • Cattle breeds not suitable for meat production/low productivity of breeds; • Ageing farm population and lack of interest and motivation of youth to consider farming as a main occupation; • Insufficient knowledge, information and skills on modern farm management, national and EU standards; weak compliance with standards; • Weak enforcement of the food safety and environmental legislation; • Difficult access to credit/high cost of credit; • Limited vocational training capacity and insufficient range and quality of specialised advisory services; • Public rural infrastructure underdeveloped.
Meat processing	
<ul style="list-style-type: none"> • Dynamic and consolidating meat processing sector; • Legal framework for food safety largely aligned with EU standard. 	<ul style="list-style-type: none"> • Unreliable and unstable quality of local supplies, insufficient quantity and high cost of supplies; • Strong informal sector in slaughtering, lack of enforcement and compliance with standards on slaughtering (hygiene, animal welfare and waste treatment/poor management of municipal slaughter houses); outdated technologies and production facilities; • Lack of rendering capacities; • Missing or weak food safety management systems, equipment, laboratories, and as well as knowledge and skills of the labour force and management; • Poor waste disposal and treatment practices/facilities and technologies and low by-product utilisation.
Opportunities	Threats
<ul style="list-style-type: none"> • Increasing domestic demand for meat and consumer preferences for traditional locally produced products on domestic market. • Increasing consumer awareness on the food quality and safety issue; • Improving access to EU markets. 	<ul style="list-style-type: none"> • Consolidation of food distribution, favouring large producers and imported products; • Increasing competition of high quality imported products.

Milk and milk processing

Milk production	
Strengths	Weaknesses
<ul style="list-style-type: none"> • Extensive area with pasture and meadows, which are suitable for grazing; • Long fodder growing season; • Whole year sheep milk production in some regions; • Established legal and institutional framework for food safety; • Existing basic structures for extension and technology transfer. 	<ul style="list-style-type: none"> • Poor maintenance of pasture and meadows; • Small-scaled farm structure and prevailing subsistence farming; • Poor hygiene of milk/weak incentives to produce high quality milk; • Inadequate physical capital (cooling, milking equipment, facilities and mechanisation); • Low yields in fodder production/lack of mechanisation/insufficient storage of fodder; • Low productivity of breeds; • Inadequate animal health management /Prevalence of some animal diseases; • Inadequate manure handling practices; • Weak links among actors in the value chain, especially between farmers and processors (milk collection systems); • Insufficient knowledge, information and skills on national and EU standards; weak compliance with the standards; • High informality of the sector; • Public rural infrastructure underdeveloped.
Milk processing	
<ul style="list-style-type: none"> • Increasing investments in milk processing plants - to improve buildings and facilities to avoid cross-contamination; • Trend for modernisation and consolidation of milk /yogurt production; • Established legal and institutional framework for food safety; • Improved capacity of the industry associations and private consultants to advise on GMP/HACCP systems. 	<ul style="list-style-type: none"> • Insufficient and unstable quantity and quality of milk supply; • Milk collection – small scale farming, lack of adequate facilities, specialised vehicles and laboratory equipment to control and preserve milk quality; • Processing - inadequate technologies and equipment (especially cheese production); lack of qualified labour (milk processing technology, laboratory, etc.) in rural areas; • Missing or weak food safety management systems, equipment, laboratories, and as well as knowledge and skills of the labour force and management; • Lack of adequate facilities and practices for treatment and utilisation of waste; • Poor public infrastructure in rural areas (roads, electricity supply).
Opportunities	Threats
<ul style="list-style-type: none"> • Increasing consumer awareness on the food quality and safety issue; • Opportunities to obtain external expertise - diverse donor support and contacts with the EU partners. 	<ul style="list-style-type: none"> • Consolidation of food distribution, favouring large producers and imported products; • Increasing competition of high quality imported products.

Fruit and vegetables production and processing

Fruit and vegetables production	
Strengths	Weaknesses
<ul style="list-style-type: none"> • Very good natural conditions / early season production for several types of fruits and vegetables /long cropping season; • Increasing area with protected crops; • Emerging clusters in fruit and vegetables and protected crops; • Emerging experience in modern production techniques; • Rather well functioning fruit and vegetables wholesale market system; • Available market information system; • Existing basic structures for extension and technology transfer; • Strong preference of consumers for domestic production. 	<ul style="list-style-type: none"> • Small-scale production; • Underdeveloped co-operation between farmers (post-harvest facilities, machinery ring, water management schemes). • Weak links / coordination between producers and processors to scale up production; • Lack of specialised farm mechanisation and harvesting equipment; • Underdeveloped post-harvest practices/lack of equipment and storage facilities; • Lack or out-dated irrigation systems; • Lack of producers' knowledge of quality requirements and specifications of raw vegetables for food industry /Production does not comply with global GAP/ no body accredited to certify farms at reasonable costs; • Inadequate controls on level of pesticides and residues.
Fruit and vegetables processing	
<ul style="list-style-type: none"> • Increasing quantity of domestic raw material supply; • Increasing investments (mainly of larger companies) in food safety/quality - facilities and equipment. 	<ul style="list-style-type: none"> • Low /unstable quality of the raw material for processing; • Lack of specialisation in processing industry; • Lack of sufficient capacity of cold storage facilities; • Outdated technologies; • Poor food safety standards – inadequate facilities, lack of equipment for food safety and quality control; • No treatment of waste water and residuals; • High informality and unfair competition from operation of unlicensed enterprises.
Opportunities	Threats
<ul style="list-style-type: none"> • Improving access to EU markets; • Opportunities to obtain external expertise through diverse donor support and contacts with the EU partners. 	<ul style="list-style-type: none"> • Climate change, negatively affecting productivity(droughts, floods) • Consolidation of food distribution, favouring large producers and imported products; • Increasing competition of high quality imported products.

Grape cultivation and wine processing

Grape cultivation	
Strengths	Weaknesses
<ul style="list-style-type: none"> • Favourable soil and climatic conditions for grape production, allowing early table grape production; • Tradition in grape cultivation; • Increasing area and output of vineyards from grapes; • Increase of plantations with autochthonous grape varieties. 	<ul style="list-style-type: none"> • Unsuitable cultivars for wine production; • Limited knowledge on modern grape cultivation technologies; • Lack of specialisation in table grape production; • Low specialised farm mechanisation; • Small-scale production; • Lack of harvest and post-harvest infrastructure - grading and storage; • Insufficient cold storage infrastructure; • High prices and low quality of inputs/ inefficient farming practices; • Water management - public irrigation and drainage system is dysfunctional, lack of efficient on farm irrigation technologies.
Wine processing	
<ul style="list-style-type: none"> • Increasing production base; • Increasing flow of investments in quality wineries and integrated companies; • Returned emigrants know-how in wine production; • Good technological expertise in wineries producing high quality wine; • Nascent organic or integrated production. 	<ul style="list-style-type: none"> • Low quality and insufficient quantity of wine grape; • Insufficient use of autochthon grape varieties for the development of quality schemes; • Weak links /coordination between growers and processors; • High share of informal production leading to unfair competition, poor safety and low quality standards; • Lack of specialisation and underdeveloped quality wines production; • Outdate technologies and equipment, such as storage tanks and fermenters; • Poor safety standards (HACCP and waste water); • Poor internal/integrated laboratory infrastructure; • Poor technological expertise in informal and small wineries; • Lack of knowledge of brands and trademarks and their protection; • Poor marketing - unfavourable price/quality ratio of quality wines; • Limited promotion of domestic high quality wine by wine producers or their associations.
Opportunities	Threats
<ul style="list-style-type: none"> • Increased demand for quality wine due to changes in consumers' lifestyles and development of tourism; • Improving access to EU markets; • Strengthened government policy to improve hygiene standards and consumer protection. 	<ul style="list-style-type: none"> • Consolidation of food distribution, favouring large producers and imported products; • Increasing input prices.

4.2. Environment and land management

Strengths	Weaknesses
<ul style="list-style-type: none"> • Rich biological and landscape diversity; • Rich and big variety of water resources; • Diverse resources for renewable energy; • EU support for alignment of legislation, policy and actions. 	<ul style="list-style-type: none"> • Continuing biodiversity loss; • Uncontrolled and inefficient use of natural resources, including overexploitation; • Degradation of agricultural land and soil erosion in some parts of the country due to inadequate farming techniques, non-application of crop rotation, low and unbalanced use of organic and mineral fertilizers, ineffective measures for plant protection; • Pollution caused by poor waste management systems; • Deforestation; • Low environmental and climate change awareness of farmers; • Lack of knowledge and skills on sustainable agriculture practices; • Weak enforcement of legislation.
Opportunities	Threats
<ul style="list-style-type: none"> • Growing awareness about healthy food and protection of the environment; • Increasing demand for alternative tourism - rural, adventurous tourism and “green” tourism. 	<ul style="list-style-type: none"> • Depopulation of rural areas and land abandonment; • Climate change and increased risks for natural systems.

4.3. Rural economy and quality of life

Strengths	Weaknesses
<ul style="list-style-type: none"> • High diversity and attractiveness of landscape and nature; • Plenty of natural resources and favourable conditions for MAPs, apiculture, aquaculture, tourism; • Sufficient resources for renewable energy production-solar, hydro, residuals of waste, thermal; • Large share of young population in rural areas; • Strong motivation to improve quality of life and income; • Returning migrants bringing skills and new knowledge; • Low labour costs; • Long traditions in MAPs and honey, production of traditional food and crafts products; • Strong sense of hospitality; • Developed private initiative in food provision and accommodation; • Increased number of international tourist in the country; 	<ul style="list-style-type: none"> • Environmental damages (e.g. erosion and existing pollution (air, waste, water)) harm country image and negatively affect potential (tourism, MAPs, apiculture, aquaculture), low environmental awareness; • Depopulation of rural areas and declining labour force; • High dependence on agriculture as a source of income and employment; • Low demand for labour/limited job opportunities in rural areas; • Weak business management and marketing skills; • Limited knowledge and skills in new sectors (tourism, RES, etc.); • Low level of knowledge on new technologies and hygiene standards; • Outdated processing equipment and technologies for on-farm processing of agricultural products; • Lack of sufficient drying/storage facilities for primary processing and drying of MAPs/mushrooms;

<ul style="list-style-type: none"> • Consumer preferences for local products on the domestic market. 	<ul style="list-style-type: none"> • Limited tourism services/tourist attractions and lack of adequate tourism facilities in rural areas; • Limited internal financial resources to support investments in quality and new technologies (difficult access to credit /high cost of credit); • Limited access to external expertise to farmers and SMEs; • Weak relations along value chain (MAPs, honey, tourism); • Low traceability hindering promotion of local and regional products; • High share of informal sector; • Underdeveloped rural infrastructure, roads, communication lines, business services; • Deteriorating quality of services to rural population (health, education, social services); • Weak enforcement of environmental and food safety standards and law enforcement.
Opportunities	Threats
<ul style="list-style-type: none"> • Growing awareness about benefits of healthy food and protection of the environment; • Increasing demand for alternative tourism - rural, adventurous tourism and “green” tourism; • New legislation promoting renewable energy; • Financial assistance and opportunities to obtain external expertise through diverse donor support and contacts with the EU partners. 	<ul style="list-style-type: none"> • Continuing stagnant economic situation in Albania and major markets affecting demand; • Climate change with negative impact on agriculture, forests and biodiversity.

4.4. Preparation and implementation of Local Development Strategies - Leader

Strengths	Weaknesses
<ul style="list-style-type: none"> • Awareness on territorial approach to rural development raised in some parts of the country; • Active stakeholders at local level in some parts of the country; • Awareness on the needs of networking for development of the territory; • Some capacity to develop local strategies and implement small scale projects created. 	<ul style="list-style-type: none"> • Lack of traditions for cooperation and community involvement at local level; • Limited skills and expertise for mobilisation of local actors for animation of the territory; • High dependence on donors’ support; • Insufficient critical mass of knowledge on LEADER approach, local strategies development and implementation, community mobilisation, etc. both at national and local level.
Opportunities	Threats
<ul style="list-style-type: none"> • Increasing Government commitment for decentralisation and support to territorial initiatives; • Active interest from international donors’ community to promotion of community led local development; • Active EU rural networks open to cooperation and transfer of experience. 	Lack of funding to implement the local development strategies

4.5. Synthesis of the SWOT related IPA II agriculture and rural development objectives

Strengths	Weaknesses
<ul style="list-style-type: none"> • High diversity and attractiveness of landscape and nature, rich biodiversity; • Very good natural conditions / early season production /long cropping season for fruits and vegetables; • Emerging experience in modern production techniques; • Strong preference of consumers for domestic products; • Good potential for renewable energy production; • Some capacity for elaboration and implementation of local development strategies created; 	<ul style="list-style-type: none"> • Small-scale subsistence-oriented farming; • Unsustainable land management and farming practices resulting in land degradation and soil erosion, water and air pollution and biodiversity loss; • Outdated technologies, lack of on-farm mechanisation; • Underdeveloped food safety and waste management systems and infrastructure in the agri-food sector; • Low enforcement of environmental, food safety and animal welfare standards; • Weak horizontal and vertical links along the food value chain; • High informality and unfair competition from operations in the informal sector; • High dependence on agriculture as a source of income and employment in rural areas; • Low demand for labour/limited job opportunities in rural areas; • Exodus of the young generation from rural areas; • Lack of traditions for cooperation and community involvement at local level; • Underdeveloped rural infrastructure, roads, communication lines, business services; • Deteriorating quality of services to rural population (health, education, social services);
Opportunities	Threats
<ul style="list-style-type: none"> • Improving access to EU markets; • Opportunities to obtain external expertise through diverse donor support and contacts with the EU partners. • Growing awareness about benefits of healthy food and protection of the environment; • Increasing demand for alternative tourism - rural, adventurous tourism and “green” tourism; 	<ul style="list-style-type: none"> • Climate change with negative impact on agriculture, forests and biodiversity; • Slowdown of economic growth in Albania and major markets, affecting demand; • Consolidation of food distribution, favouring large producers and imported products;

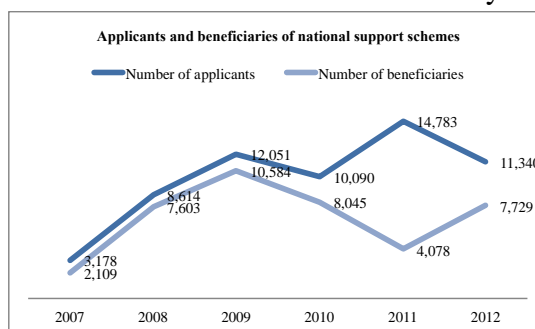
5. MAIN RESULTS OF PREVIOUS INTERVENTIONS

5.1. Main results of previous national interventions; amounts deployed, summary of evaluations or lessons learnt

The national schemes for support of agriculture and rural development were introduced in 2007 with the adoption of the Law on Agriculture and Rural Development. It regulates the programming of policy measures related to agriculture and rural development, provides for public advisory services for agriculture, research and training, and for the setting up of an

information databases. It also provides the legal basis for the institutions responsible for the implementation of agriculture policy by establishing the Agriculture and Rural Development Agency (ARDA) for the implementation of national support schemes and introduces the principle of monitoring and evaluation of the national support schemes.

The national measures are programmed annually in the National Action Plan and enforced by a Decree of the Council of Ministers. The Action Plan defines the measures for implementation of the agricultural and rural development policy in the respective year, the financial plan and eligibility criteria and support rate /amount. The implementation of the National Action Plan is the responsibility of the ARDA and the Rural Development Directorate within MARDWA under the supervision of the Inter-Ministerial Committee for Agriculture and Rural Development.



The national support schemes increased in number from 3 in 2007 to 23 in 2013. Till 2010 the annual budget of the national schemes had been increasing reaching the maximum of EUR 11.5 million in 2010. Due to the budgetary constraints the budget allocation was reduced to about EUR 7 million in 2012 and 2013. In 2012 the number of applications was 11,340 and the number of beneficiaries 7,729.

The national schemes provide different type of support – investment aid based on standard costs, production aid and interest rate subsidies. In total in the period 2007-2012 about EUR 43 million was allocated to national support schemes. About 75% of this amount was investment aid, 15% - production aid and 10% - interest rate subsidies.

The largest share (87%) of the investment aid was allocated to investment schemes for creation of new permanent crops plantations- olive groves (47% of investment aid), orchards (21%), vineyards (11%), nuts (7%). There have been annual changes regarding the targeted sectors (e.g. initially high priority was given to vineyards while recently support was extended to the cultivation of medicinal and aromatic plants). The remaining investment support went mainly to improvement of on-the-farm irrigation (wells and drip irrigation).

The production aid was given to dairy and small ruminants sectors, honey and olive processing, organic production. The aid was for production of milk, based on per litre payments to livestock farms for milk delivered to dairies; per head support for milking cows and sheep, support for sheep breeding for transhumance, rabbit breeding, production of extra virgin olive oil paid per litre produced, and support for beekeeping and honey production.

The investment support schemes have contributed to the increase of the planted area and production growth in the priority sectors. In the period 2007 – 2012 MARDWA supported planting of almost 15,000 ha of permanent crops, of which fruit and citrus (3,193 ha), olives (8,565 ha), nut trees (1,268 ha) and vineyards (1,135 ha).

The evaluation of the national schemes for investments in orchards and olive groves showed that support contributed to the growth of farm productivity mainly due to the increase in area of production. The support contributed insufficiently to consolidation and increasing the farm size, introduction of new technologies and improved farming practices. The leverage effect was small.

The schemes had little impact on collective action among farmers and between farmers and other value chain businesses³⁷.

The lessons learned in implementation of national schemes reveal needs for introduction of multi-annual programming and increasing consistency and predictability of support. The experience shows importance of regular monitoring and review of the schemes to adapt to the emerging needs, focusing on priority sectors with a potential for developing a competitive production of quality products for the domestic as well as export markets. The success of the schemes in addressing priority needs for restructuring of the farming structures and increase of the productivity is highly dependent on developing of supporting services for introduction of new technologies and knowledge transfer, strengthening of the vertical and horizontal links along the value chain.

5.2 Main results of EU assistance, amounts deployed, summary of evaluations or lessons learned

Under IPA I the EU provided substantial support for the agriculture and rural development in Albania. Overall, the IPA I support for the sector amounted to EUR 90 million. IPA I contributed to: capacity building of MARDWA to design, develop and implement the rural development policies; capacity building in the area of food safety and veterinary services, incl. improving national and local laboratory infrastructure and aligning with EU of the legislation in food safety, statistics, fighting zoonotic diseases; strengthening monitoring, control and surveillance system in fisheries. IPA I provided also support for improving access to essential services and markets of the rural population and business through rehabilitation of secondary and local roads.

With the support of IPA I Albania has made a significant progress in the preparation for implementation of IPARD. The structures responsible for the management of the IPARD were designated and their capacities gradually developed. IPA 2011 project for Support of Agriculture and Rural Development (SARD) included a grant scheme piloting IPARD-like measures for investments in agriculture and in processing and marketing targeting milk, meat, fruit and vegetable sectors, aimed at modernisation and gradual alignment with EU standards. In 2012-2013 three calls for proposals were launched to which 255 applications were submitted for investments amounting to EUR 46 million.

An important lesson of the IPARD-like grant scheme is that there is a significant demand for support confirming the identified needs as indicated by the fact that the requested grant of the submitted applications exceeded three times the available budget of all conducted calls for proposals. Due to the high informality in the agro-processing sector, the capacity of the applicants to comply with the established procedures based on the national legislation is limited, which influences negatively the absorption of the funds.

The applications for investments in agricultural holdings accounted to about two-thirds of the total under the IPARD-like grant scheme and there was a significant growth of the number of applications between call 1 and call 3 of the grant scheme³⁸. There was a demand for support for

³⁷*Government Subsidy Impact Assessment in Albania*, Final report 2014. The study was prepared by the project "Preparation of Inter- sectorial strategy for agriculture and rural development in Albania", funded by the European Union and facilitated by the FAO.

³⁸In total under all three calls the number of application for investments in agricultural holdings was 174 (68% of total) with eligible investment expenditure amounting to EUR 17.7 million (37%). The applications for investments in processing industry were 81 (32% of total) and investment expenditure of EUR 30.7 million (63% of total).

projects of different size³⁹. The food processing industry applications were smaller (one-third) in number but they accounted for nearly two-thirds of the amount of the investments.

The applicants' capacity to comply with the formal and administrative requirements tends to increase but remains low. In all conducted calls for proposal there were a significant number of major omissions in applications leading to rejection of viable investment projects. Therefore, the increase of absorption capacity requires continuing efforts to improve the knowledge on application and payment procedures of the potential applicants and support organisations and to build a culture of compliance. Simplification of the procedure for smaller size grants may also improve the absorption.

The implementation of the SARD project revealed that well-organised and wide publicity campaign is important to raise awareness of farmers and processing companies on the opportunities for support and eligibility rules. Mobilisation of interlocutors, such as public extension services, business support organisation and private sector consultant with hands-on experience in agriculture contributes to the improving of the effectiveness of the communication actions.

The public extension service and private sector consultants have an important role to play in the increasing demand for support and improving the quality of applications. The SARD project trained 90 extension services staff and 40 private consultants in preparation of applications. To ensure effective involvement of the public extension services, there is a need to further improve knowledge and skills on application and payments procedures, but also technical and economic issues of the extension officers, to allocate sufficient resources and to integrate support to applicants and beneficiaries in the annual work plans of the extension service, including setting clear targets and reporting requirements.

The implementation of the IPARD-like grant scheme revealed that technical bodies have certain technical capacity to check for compliance with national standards. However, they have no sufficient knowledge on EU standards, lack developed procedures and resources to execute the checks. Similarly, weaknesses in the functioning of farm and other agricultural registers require prompt capacity building actions. Collaboration and institutionalised communication between the designated IPARD Operational Structure and the NAO needs to be further strengthened as well as NAO support office and National Fund procedures and capacities for the management and control of IPARD.

5.3. Main results of multilateral assistance conducted, amounts deployed, evaluations or lessons learned

In the period 2007-2013 about ten multilateral and bilateral donors supported interventions for agriculture and rural development in Albania.

The International Fund for Agricultural Development (IFAD) supported '*Sustainable Development in Rural Mountains Area Programme*' (SDRMA), active in 21 districts of Albania, aiming to increase household incomes in Albania's mountain areas, particularly among the poorer rural population. The total programme cost was USD 23.35 million and it was implemented over the period 2007-2013. It had several components targeting private-sector development, small-scale infrastructure and local development planning. By supporting the 17 Strategic Investment Programmes in eight different value chains and by building capacities of

³⁹The average size of the investment (eligible expenditure) of applications of agricultural holdings was EUR 113,000 and of processing enterprises – EUR 379,000. About 40% of the applications for investments in agricultural holdings were for investments below EUR 50,000.

farmers, processors, entrepreneurs, SDRMA has positively addressed the core economic constraints, linking producers with processors and markets and strengthening the institutional value chain set up (vertical and horizontal value chain integration). The Programme has also implemented 44 small-scale economic infrastructure projects, such as roads, bridges and domestic water supply systems, which contributed to access to markets and services and lower transportation cost, particularly for perishable livestock / agricultural products⁴⁰. IFAD supported also in the period 2009-2014 '*The Mountain to Markets Programme*', amounting to EUR 6.8 million, and poverty-reduction measures based on participatory and systematic identification of investment opportunities in poor mountain areas. The goal is to increase the incomes of poor rural people in the northern part of Albania, the most disadvantaged part of the country.

UN agencies' support for agriculture and rural development included also technical assistance to agricultural and livestock productivity and the facilitation of Albania's participation in regional network activities. The UN worked with the MARDWA on institutional capacities regarding modern techniques to enhance agricultural and livestock productivity, with emphasis on pest control and early detection of trans-boundary animal diseases. UN has conducted a series of pilot projects to enhance capacities of national officers and extension workers. Several pilot initiatives were launched to introduce good practices and facilitate technology transfers to extension workers, farmers' associations and research institutes⁴¹.

The *World Bank* has supported agriculture in Albania through several projects. According to the WB evaluations, they had a positive impact in poverty reduction by increasing the income of small private farmers and creating employment opportunities for dependent farm labour in rural areas. Several projects contributed to sustainability of irrigation and drainage investments through farmer participation in operation and maintenance, efficient system management and greater cost recovery. More than 335,000 hectares of Albania's irrigation and drainage system and 33 dams were rehabilitated or upgraded. A new Water Resources and Irrigation Project, amounting to EUR 27,3 million was approved in 2012 aiming to strengthen the Government's capacity to manage water resources at the both national, river basin and local levels, to improve the performance and sustainability of irrigation systems in the Drin-Buna and Semani river basins, and to pilot public-private partnerships for operating and maintaining the irrigation systems in the three areas.

The WB '*Natural Resources and Development Project*' helped reducing erosion by improving the management of Albania's wetlands, forest, and pasture resources, as well as creating water catchments. The project enhanced productivity and incomes by improving community-based natural resource management in 251 communes in mountainous areas prone to erosion⁴². A follow-up '*Environmental Services Project*' (EUR 16.8 million) started implementation in 2014 and it aims to improve and promote the value of ecosystem services.

The Italian Development Cooperation '*Programme for the Development of Albanian Private Sector*' operates since 2009 and provides SMEs with access to favourable credit facilities in order to strengthen their competitiveness on the local and international market through technological innovation and improvement of production standards. It has two financial instruments: Credit Line amounting to EUR 25 million and Albanian Guarantee Fund amounting to EUR 2.5 million. Nearly quarter of the disbursed loans were to food processing industry. The agricultural modernisation Programme funded by Italian Development Cooperation includes three initiatives of a total value of EUR 10 million. Two interventions aiming at strengthening

⁴⁰ IFAD, *Programme for Sustainable Development in Rural Mountain Areas Project, Completion Report Digest*, 2014.

⁴¹ *Government of Albania and United Nations Programme of Cooperation 2012-2016*.

⁴² World Bank, *Albania - Natural Resources Development Project*. Washington, DC, 2012.

the institutional framework: on the one hand, through aligning the management and control of agricultural subsidies to European Union standards, and on the other through the establishment of an insurance system to cover agricultural risks, something which currently does not exist in the country. The third initiative strives to enhance, in a sustainable way, the entire olive oil production process, which has great potential for development given Albania's traditional vocation and characteristics.

In the area of rural development, German Technical Cooperation (GIZ)⁴³ has implemented '*Programme for Economic Development and Employment Promotion*', which included components for modernisation of the agro-business and food processing in the context of approximation to the EU. Companies in the priority sectors have been supported in introducing modern processes and food safety systems. The GIZ supported also local development initiatives and sustainable tourism development actions. It also implemented a project for building capacity of advisors to support preparation of projects for IPARD Programme.

USAID '*Agriculture Competitiveness Programme*' (2007-2013) had three components: strengthening producer capacity for competitive commercial farming; strengthening capacity for market development; increasing access to reliable market information. It focused on five strategic value chains and associated activities: tree crops; greenhouse crops; open-field crops; medicinal and aromatic plants; and processed commodities. The Programme had a total budget of USD 10.5 million and used various instruments – trainings, demonstration of new technologies, grants, credit facilitation, and policy and regulatory reform dialogue. The programme had made significant contributions to the development of the targeted value chains and had a substantial impact on beneficiaries⁴⁴.

In 2009-2013 the Netherlands Development Organisation and Danish Government supported the project '*Value Chains for Sustainable Livelihoods in Albania*' (EUR 5 million), which promoted income generation and employment through the development of herbs and spices, fruit trees and small ruminants value chains in the mountainous areas in Northern and Eastern Albania. A new joint German-Danish project for support to agriculture and rural development in the disadvantaged areas of Albania started in 2014 (EUR 10 million). It utilises a regional development approach and supports value added chains in fruit trees, livestock, medicinal and spice plants, and rural tourism.

The main lessons learnt on support for agriculture and rural development revealed in the evaluation reports and the implementation reviews of implemented projects are as follows:

- Despite the difficult environment and constraints, support to agri-food sector has proved to be effective, if companies that have potential to generate large increases in employment and sales are supported to serve as a model to other SMEs. Firm-level assistance was provided by bi-lateral and multilateral donors to viable farms, consolidators and processors that have demonstrated an entrepreneurial willingness to adapt to rapidly changing market conditions.
- Improvement of the agricultural competitiveness requires strengthening of the entire value chain from farm to the end market. The support to consolidators and food processors is important for the growth of the entire value chain since through industry and consolidators the technical knowledge is provided to producers, which facilitates improvement of product quality and ensures more consistent supply to domestic and foreign markets.
- Development of specialised territorial agri-food clusters was important for the small-scale agriculture in Albania as it gave an opportunity to transfer and disseminate knowledge, to

⁴³ Funded by German Development Cooperation (BMZ).

⁴⁴ USAID, *Performance Evaluation of the Albanian Agricultural Competitiveness Program*, Final Report, 2014.

consolidate contacts between agricultural producers, consolidators, processors and to establish links with the markets.

- The experience with creation of farmers' producer groups and farmers associations as well as promoting collective actions by farmers was not encouraging. The projects faced problems due to the lack of trust and willingness to operate jointly. This resulted in low sustainability of supported projects. Therefore, the interventions have increasingly started targeting development of support service organisations and supporting establishment of the long lasting contacts along the value chain.
- Interventions to improve food safety standards at farm and company level needed more efforts and time for creating awareness and demonstrating benefits. Projects implemented in that area were successful, when targeting viable growth-oriented enterprises and larger farms. Along with the efforts to modernise industry, food safety projects targeted also development of capacity and restructuring of food safety administration. Efficient work of the food administration is required to enforce the legislation and thus to motivate investments in the food safety.
- Access to finance is a serious problem for most of the farms and companies in the sector. In addition, knowledge on business plan development and access to external consultancy support for project planning are limited. Different projects developed different strategies – support for preparation of applications, development of micro-finance schemes, etc. Success factor of the projects was assistance to companies to develop feasibility/business plans, identify appropriate technologies, attend technology trade fairs, and develop investment plans.
- Support to development of consultancy services for project preparation and project implementation, including technology identification and application, and development of food safety systems, was another success factor in the donor's interventions.
- The implementation of interventions in support for rural development – ranging from policy formulation to direct support – allowed accumulation of substantial experience and setting-up of structures that have started building capacity to implement the EU pre-accession assistance under the IPARD. However, support in the future is needed to further build knowledge and expertise to implement the programmes/projects in line with the EU rules and procedures both at programme and project level.
- High turnover of staff in public administration has hindered delivery of public services and affected the pace of reforms. Future intervention has to emphasise the importance of a sustainable professional civil service and support the strengthening of institutions, tools and mechanisms for effective and equitable service delivery.
- Local stakeholder involvement has been key determinant for success: Local stakeholder involvement was necessary for receiving feedback on local site conditions and other commune-specific issues. Solid awareness raising, communication and confidence building measures are required for local buy-in, and must be included in all community-based projects.

6. DESCRIPTION OF THE STRATEGY

6.1. Description of the existing national rural development strategy

The Inter-Sectoral Strategy for Agriculture and Rural Development in Albania for the period 2014-2020 (ISARD)⁴⁵ defines the following vision for the agriculture and rural development:

‘Efficient, innovative and viable agri-food sector capable to sustain the competitive pressure and meeting the requirements of the EU market through a sustainable utilisation of resources, and

Viable rural areas providing economic activities and employment opportunities, social inclusion and quality of life to rural residents’.

The ISARD provides for interventions in three policy areas: i) rural development policy; ii) national support schemes for farmers, development of rural infrastructure and ensuring equal opportunities; iii) institutional development, implementation and enforcement of EU regulatory requirements.

The *rural development policy* has four priorities for the period 2014-2020:

1. Enhancing farm viability and competitiveness of agriculture and food-processing, while progressively aligning with Union standards

This will be achieved by facilitating the restructuring of the agricultural sector, improving land use and strengthening market orientation and participation with a particular focus on:

- Developing the economically viable part of the primary sector and the agro-processing sector through improvements of production facilities and methods, product quality and meeting EU standards;
- Agricultural sectors with potential for developing competitive quality products;
- Optimising the use of agricultural resources by promoting and enhancing cooperation and associations for the efficient use and management of agricultural land and resources.

2. Restoring, preserving and enhancing ecosystems dependent on agriculture and forestry

The objective is to achieve sustainable management of natural resources and climate action by forest and water resource management, and introduction of agricultural production methods protecting the environment and mitigating and adapting to climate change. The intention is to gradually introduce EU policies and approaches for management of natural resources and climate action with a specific focus on sustainable use of land, forest and water resources and waste management in the short term.

3. Balanced territorial development of rural areas promoting social inclusion, poverty reduction and balanced economic development in rural areas

The objective is to achieve a balanced territorial development of rural areas by fostering diversification of economic activities, job creation and social inclusion, and improving living conditions in rural areas.

The focus will be on facilitating diversification of economic activities and creation of jobs and new small businesses, improvement of local services, village renewal, rural infrastructure, and enhancing accessibility to use modern information and communication systems as well as on

⁴⁵ISARD was prepared in 2012-2014 by MARDWA with the support of project “Preparation of Inter-sectorial strategy for agriculture and rural development in Albania”, funded by the European Union and facilitated by the FAO.

capacity building for development of bottom up approaches and local participation in planning the development at local level by developing Local Action Groups.

4. Transfer of knowledge and innovation in agriculture, forestry and rural areas

The objective is to enhance the abilities of all main actors in rural areas to contribute to the development of a viable agricultural sector and viable rural communities by:

- Fostering innovation and knowledge transfer to the agricultural sector and rural areas by developing advisory services and agricultural technology transfer centres;
- Fostering lifelong learning through vocational training and skills acquisition in rural areas;
- Strengthening the links between agriculture, aquaculture, forestry, research and innovation by fostering cooperation among actors.

6.2. Identification of the needs and summary of overall strategy

6.2.1 Identification of the needs

Based on the SWOT analysis and the vision for the agriculture and rural development the following major needs have been identified.

- ***Increase investments in physical assets in agricultural holdings (1)***

The competitiveness of farms is constrained by low productivity and efficiency due to insufficient investments in physical assets needed for introduction of new products, technologies, mechanisation and equipment and increase of the scale of production. Similarly, the farms have problems in complying with demanding environmental and animal welfare standards due to the lack of sufficient resources to modernise facilities to improve hygiene and waste management systems.

- ***Improve access and quality of advisory services to farmers (2)***

The effectiveness of extension system needs enhancement by improvement of infrastructure, strengthening human resources and extending outreach. There is a need to improve the quality and enhance the range of provided services, especially in areas of sustainable use of natural resources, environmental protection, protection of autochthon genetic resources and respect of standards (safety, environmental, quality etc.), marketing and farm management, new technologies in horticulture and animal breeding, etc. With respect to IPARD II Programme, capacity needs to be created or strengthened in preparation of business plans, assessing farmers' needs for new technology and compliance with national minimum standards. There is also need to improve ICT capacities, which is important part of research, advisory function and networking. Extension requires stronger linkages with local demand and national research capacities and more specifically to improve the institutional framework for the interaction between all players, including agricultural universities, research inputs suppliers, etc.

- ***Improve irrigation and drainage infrastructure (3)***

Climate change is expected to significantly affect water balance in Albania and one of the important adaptation actions is modernization of irrigation and drainage (I&D) systems to increase efficiency of use of water resource. The improvement of I&D system is also needed to improve productivity in the crop sectors. The improvement of I&D infrastructure will be addressed by national and donor funds.

- ***Improve competitiveness of food processing industry (4)***

The food industry has to prepare for future membership in EU, which creates an opportunity for expanding markets, but poses a threat of increased competition on the domestic market. The industry has a number of structural weaknesses related to outdated production facilities and

technologies, which affect quality, productivity and cost. A large part of the enterprises in food industry need investments to modernise facilities and production lines. The food industry has to establish safe collection and storage of raw materials to reduce waste and ensure food safety. Investments in adapting product range and quality to market demand and emerging market opportunities are also needed.

- ***Upgrade physical capital in food industry to comply with Union standards (5)***

The process of harmonisation of Albanian legislation to the Union standards requires food industry to make significant investments in upgrading facilities and control equipment. It also needs to increase awareness on the newly introduced standards, to develop competences for their correct implementation and to build human resources capacity.

- ***Enhance cooperation among the main actors in the agri-food chain (6)***

The reluctance of farmers to cooperate and weak links between food chain actors (research, input suppliers, farmers, food processing companies and traders) lead to limited diffusion of knowledge and constrains innovation and long term investments in agri-food sector. Therefore, there is a need to promote horizontal and vertical co-operation among different actors in the food chain. The increased co-operation is needed for the development of new products, practices, processes and technologies in the agriculture and food sectors.

- ***Improve management of natural resources and resource use efficiency (7)***

Improvement of management of natural resources and resource efficiency is needed to ensure environmental sustainability and to exploit emerging market opportunities. There is a need to reverse the trend for degradation of natural environment (soil erosion, water pollution and biodiversity loss) due to unsustainable land management and farming practices. There are valuable opportunities related to increased demand for organic products as well as eco-and agri tourism, which both depend on preservation of the environment and contribute to nature conservation.

- ***Diversify activities and sources of income for farmers (8)***

There are opportunities to increase farm incomes and rural employment by utilisation of potential and resources for production of MAPs, mushrooms, ornamental plants, honey, and snails. The sustainable development of these sectors requires increasing or upgrading of the physical capital in primary production and processing, knowledge and skills of farmers and strengthening of the value chain. The national policies need to be strengthened and controls improved to ensure environmental protection and conservation of native species.

The on-farm processing and marketing of milk, meat, fruits and vegetables have long traditions in rural areas and serves as an important source of income for farmers. Its development is favourably influenced by the preference of consumers to local traditional products. On-farm processing of agricultural products faces the challenge of upgrading to the food safety standards, improving quality and the value-added.

- ***Develop non-agricultural sectors of rural economy (9)***

The high dependence of rural areas on jobs and income from agriculture creates a risk for the sustainable development of rural areas. The slow growth of non-agricultural sectors of rural economy and insufficient demand for labour contributes to rural poverty and motivates outmigration. Therefore, there is a need to support development of non-agricultural sectors of rural economy. SWOT analysis shows opportunities for development of nature and rural tourism and renewable energy production. The development of small-scale manufacturing, traditional crafts and local services also provides opportunities for business development in rural areas.

- ***Improve rural infrastructure, access and quality of basic services in rural areas (10)***

Rural areas have underdeveloped and poorly maintained infrastructure (roads, electricity, water supply and sewage), both in terms of coverage and quality.

The accessibility of rural areas has improved but remains a major weakness of many rural regions. The reconstruction of rural roads and regular maintenance of roads is needed to improve transport of people and goods, investments, development of tourism, access to social services, employment opportunities for people in rural areas. There is a need also for development of electricity supply, water and sewage infrastructure and waste collection and treatment.

The poor quality of basic services (social, health and educational) in rural areas is an important factor that leads to out-migration, especially of young population, and increases the risk of social exclusion of vulnerable groups.

- ***Improve local governance and develop capacity for implementation of LEADER approach (11)***

The active participation of local stakeholders and partnerships in planning and implementation of territorial development initiatives is needed to enhance and fully utilise socio-economic potential of rural areas. This requires improvement of local governance by encouragement of participation and capacity building of local authorities, non-governmental organizations, business and rural inhabitants on partnership for formulation and implementation of local initiatives.

Some capacity for implementation of LEADER has been created in the country by implementation of donor funded projects, but there is a need to increase public awareness, develop capacity for implementation of joint actions at local level and create/strengthen partnerships for elaboration and implementation of LEADER type local development strategies.

6.2.2 Description of IPARD II programme strategy

The IPARD II programme is focused on the objectives of the ISARD strategy for development of viable agri-food sector and vibrant rural areas, which are highly consistent with the objectives set for the agriculture and rural development policy area in the Indicative Strategy Paper for Albania (Strategy Paper).

In line with the objectives of the IPA II Regulation⁴⁶, the Programme will aim at enhancing the capacity of the agri-food sector to cope with competitive pressure and progressive alignment to Union standards. To achieve these objectives the Programme will support investments in physical assets of agri-food sector and enhancement of advisory services.

Measure '*Investments in physical assets of agricultural holdings*' will encourage and support investments in improving productivity and product quality and attainment of Union standards (need 1). The measure will focus on sectors that require significant investments for reaching Union standards – milk and meat primary sectors. This investment needs to account for climate change and air quality needs. The measure will also support investments in fruits, vegetables and grapes sectors, where Albania has good agri-environmental potential to increase production for the local market and export. The programmed public expenditure for the measure accounts for 44% of the total public aid under the IPARD II Programme, which reflects the needs for modernisation of the primary sector and its absorption capacity. The budgeted amount includes also allocations for the Package 2 measures that will start at later stage, after the modification of the programme.

The IPARD II programme will address the need to improve access and quality of advisory services to farmers (need 2) through implementation of the '*Advisory services*' measure. Through this measure the capacity of the advisory services will be strengthened and a range and

⁴⁶Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-accession Assistance (IPA II).

quality of advisory services to farmers will be improved. The selected advisory structure/bodies will be trained in preparation of business plans and requests for payments for the applicants/recipients of support under the measure supporting investments in physical assets. The indicative allocation to this measure is EUR 3 million. The measure will be drafted and procedures developed in the 2015-2016 period. The development of the advisory capacity will be supported also through other IPA II interventions focusing on specific sectors, national measures and donor support.

The measure '*Investments in physical assets concerning processing and marketing of agricultural and fishery products*' will support investments in fixed assets needed for increasing the competitiveness of food processing (need 4) and compliance with EU standards (need 5). Taking into account the needs for alignment of processing industry with Union standards 37% of the public expenditure is allocated to this measure under the Programme.

The interventions in favour of the development of agri-food sector under IPARD II Programme measures will be complemented by the national and donor support projects for enhancement of horizontal and vertical co-operation along the agri-food supply chain (need 6) and development of knowledge and skills of local producers, improving of market infrastructure and market information systems. The IPA II will provide assistance for the alignment and strengthening of the national capacity to enforce environmental, food safety, phytosanitary, veterinary and animal welfare legislation, improved management and protection of fishery resources, etc. The national funds and International Financial Institution (IFI) projects will be the main source to finance improvements in irrigation and drainage infrastructure (need 3).

The IPARD II programme will address the need (7) to improve management of natural resources and resource use efficiency through support to investments in resource efficient technology and renewable energy production. The sustainable management of natural resources will be promoted by the IPARD II programme through development of the capacity of the extension services and provision of information and advice to farmers.

Agri-environment-climate and organic farming measure will be applied for pilot operations in order to build capacity for management and control of agri-environmental interventions implemented under the Rural Development Programmes in the member states. In line with the ISARD strategy, the measure will target land and soil quality protection and biodiversity preservation, bringing also benefits to water and air quality. The specific scheme(s) to be piloted and their environmental objectives will be decided and elaborated based on detailed environmental analysis in consultation with all relevant stakeholders. The indicative allocation to this measure is EUR 1.7 million. Taking into account the underdeveloped capacity to implement area based interventions the *Agri-environment-climate and organic farming measure* is programmed to start implementation in 2018.

The Programme will support also balanced territorial development, employment creation and social inclusion through measure '*Farm diversification and business development*'. The measure will support investments in physical assets needed to diversify and increase farm incomes (need 8). The measure will support investments for development of non-agricultural sectors in rural areas and development of entrepreneurship, especially of young people and women, which is required to create new employment opportunities in rural areas and to improve access to services of rural population (need 9). The measure will encourage investments in all viable non-agricultural business activities in rural areas - sustainable nature and rural tourism, services for rural population and business, crafts and manufacturing industry. Around 16% of public expenditure is allocated to this measure.

The IPARD II programme will support building up of the national capacity for local development based on LEADER approach. The Technical Assistance measure will be used for initial capacity building of Local action groups and preparation of their strategies, while measure

‘Implementation of local development strategies - LEADER approach’ will support actions for animation of the territory, further capacity building and implementation of small scale projects (need 11). The measure is programmed to start implementation in 2018 and the indicative allocation is EUR 2.4 million. The LEADER will be promoted also through the activities of the National rural development network.

Part of the identified needs for the development of rural areas will be addressed through other IPA II interventions. The IPA II and donors assistance and national funds will be provided also for the improvement of rural infrastructure and access of to basic services of rural population (need 10).

Table 6.1: Summary table showing main development needs and measures operating

Need identified	IPARD	IPA	Other donor – multilateral assistance	National
1. Increase investments in physical assets of agricultural holdings	‘Investments in physical assets of agricultural holdings’		✓	✓
2. Improve access and quality of advisory services to farmers	‘Advisory services’		✓	✓
3. Improve irrigation and drainage infrastructure			✓	✓
4. Improve competitiveness of food processing industry	‘Investments in physical assets concerning processing and marketing of agricultural and fishery products’		✓	✓
5. Upgrade physical capital in food industry to comply with Union standards			✓	
6. Enhance cooperation among the main actors in the agri-food chain			✓	✓
7. Improve management of natural resources and resource use efficiency	‘Agri-environment-climate and organic farming measure’ ‘Advisory services’	✓	✓	✓
8. Diversify activities and sources of income for farmers	‘Farm diversification and business development’	✓	✓	✓
9. Develop non-agricultural sectors of rural economy	‘Farm diversification and business development’	✓	✓	✓
10. Improve rural infrastructure, access and quality of basic services in rural areas	‘Farm diversification and business development’	✓	✓	✓
11. Improve local governance and develop capacity for implementation of LEADER approach	‘Technical assistance’ ‘Implementation of local development strategies - LEADER approach’		✓	✓

The IPARD II programme includes seven measures, distributed into two packages by start of implementation. The first package includes four measures, implementation of which will start in 2016 after entrustment of budget implementation tasks (Table 6.2). The IPARD Agency accumulated experience in implementation of measures supporting investments in physical assets and Package 1 includes three measures supporting investments in the agri-food sector and rural economy. To ensure the smooth implementation and effective monitoring and evaluation of the Programme ‘Technical assistance’ measure is also scheduled to start in 2016.

The Package 2 includes three measures, which will be adopted and implementation of which will start after building sufficient capacity of the MA and IPARD agency to implement, control and monitor these measures. In view of its importance for the effective implementation of Package 1 measures, the ‘Advisory services’ measure is programmed to start in the 2017. The remaining

two Package 2 measures require longer preparation and capacity building and are programmed to start in 2018.

Table 6.2:IPARD II programme measures by expected start of implementation

Measure	Start of implementation
Package 1 measures	
1. ‘Investments in physical assets of agricultural holdings’	2016
2. ‘Investments in physical assets concerning processing and marketing of agricultural and fishery products’	2016
3. ‘Farm diversification and business development’	2016
4. ‘Technical assistance’	2016
Package 2 measures	
5 ‘Advisory services’	2017
6. ‘Implementation of local development strategies - LEADER approach’	2018
7. ‘Agri-environment-climate and organic farming measure’	2018

6.3. Consistency between proposed IPARD intervention and Country Strategy Paper

The Indicative Country Strategy Paper (Strategy Paper) objectives for the agriculture and rural development sector are to ‘support Albania in developing an efficient, sustainable and innovative agri-food sector which is competitive on the EU market and offers employment, social inclusion and quality of life for the rural population’.

The objectives and priorities of the selected IPARD II Programme measures are consistent with the above stated Strategy Paper objectives and contribute to them by:

- Supporting investments in agri-food sector aiming at improving competitiveness, compliance with EU standards and nature and environment preservation;
- Supporting investments in rural areas aiming at diversification of rural economy and business creation leading to improved employment opportunities and social inclusion.

The implementation of measures will contribute directly to the achievement of five of the targeted CSP results.

Table 6.3: Contribution of IPARD II programme to Strategy Paper targeted results

Strategy Paper targeted results	IPARD II Programme contribution
Application of environmental and food safety standards in the entire agri-food chain improved, especially regarding meat and dairy production as well as products for export.	- Investments in environmental and food safety standards supported; - Awareness of agri-food sector on standards and importance of environment preservation improved through information actions and project preparation; - Technical bodies gained experience in verification of compliance with EU standards.
Resilience to adverse effects of climate change improved	- Investments in resource efficient technologies supported; - Increased awareness on impact of climate change and air quality; - Investments in renewable energy production; - Capacity to implement agri-environmental measures created.
Income generated by women and young entrepreneurs in rural areas increased.	- Employment opportunities for women and young people in rural areas improved; - Investments of women and young entrepreneurs in rural areas supported.
Quality of agricultural advisory services improved.	Quality and outreach of the advisory services increased by implementation of the Measure ‘Advisory services’.
National structures prepared and entrusted for budget implementation tasks for agriculture and rural development assistance (implementing IPA rural development programmes - IPARD)	- MA and IPARD agency gained experience in implementation of the IPARD II; - Procedures improved based on lessons learned and results of the controls; - Active partnership with all relevant bodies and stakeholders

Strategy Paper targeted results	IPARD II Programme contribution
	established.

6.4. A summary table of the intervention logic showing the measures selected for IPARD, the quantified targets

Measure	Quantified target	Programme targets
Investments in physical assets of agricultural holdings	Number of projects supported – 430 Number of holdings performing modernisation projects - 430 Number of holdings progressively upgrading towards EU standards – 300 Number of holdings investing in renewable energy production – 20 Number of holdings investing in livestock management in view of reducing ammonia, N20 and methane emissions – 40 Total investment in physical capital by holdings supported – EUR 52,000,000	Number of projects having received IPA support in agri-food sector and rural development – 760
Investments in physical assets concerning processing and marketing of agricultural and fishery products	Number of projects supported - 180 Number of enterprises performing modernisation projects - 180 Number of enterprises progressively upgrading towards EU standards – 180 Number of enterprises investing in renewable energy production – 15 Total investment in physical capital by enterprises supported – EUR 71,000,000 Number of jobs created (gross) – 450	Total investment generated via IPA in agri-food sector and rural development – EUR 145,500,000 Number of economic entities performing modernisation projects in agri-food sector – 610
Farm diversification and business development	Number of projects supported - 150 Number of agricultural holdings/enterprises developing additional or diversified sources of income in rural areas – 150 Number of recipients investing in renewable energy – 20 Total investment in physical capital by holdings /enterprises supported – EUR 22,500,000 Number of jobs created (gross) - 350	Number of economic entities progressively upgrading towards EU standards – 480
Advisory services ¹	Number of recipients of advisory services Number of advisors trained Number of training days given to advisors	
Agri-environment-climate and organic farming measure ¹	Number of contracts Agricultural land (ha) under environmental contracts Number of type of operation supported Total area per type of type of operation Number of holdings supported under organic farming type of operation	Number of jobs created (gross) – 800
Implementation of local development strategies – LEADER approach ¹	Number of LAGs operating in rural areas Population covered by LAGs Number of jobs created (gross) Number of projects recommended Number of small projects	Number of beneficiaries investing in promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in agriculture, food and forestry sectors - 95
Technical Assistance	Number of meetings of the IPARD II MC assisted - 10 Number of Programme evaluation reports supported- 2 Number of workshops, conferences, seminars - 70 Number of studies on elaboration and implementation of Programme measures - 10 Number of promotion materials for general information of all interested parties (copies) - 35 000 Number of rural networking actions supported - 30 Number of potential LAGs supported - 10	

Note: 1) Targets on indicators will be added after adoption of the measures.

7. OVERALL FINANCIAL TABLE

7.1 Maximum indicative EU contribution for IPARD funds in EUR by year, 2014-2020*

Year	2014	2015	2016	2017	2018	2019	2020	2014-2020
Total	-	-	13,000,000	14,000,000	12,000,000	16,000,000	16,000,000	71,000,000

*The annual contributions are merely indicative as the actual amounts will be decided annually in the framework of EU budget.

7.2 Financial plan per measure in EUR, 2014-2020

Measures	Total public aid (EUR)	EU contribution (EUR)	EU contribution rate (%)	National contribution (EUR)	National Contribution rate (%)
Investments in physical assets of agricultural holdings	41,866,667	31,400,000	75%	10,466,667	25%
Investments in physical assets concerning processing and marketing of agricultural and fishery products	35,333,333	26,500,000	75%	8,833,333	25%
Agri-environment-climate and organic farming measure	-	-	-	-	-
Implementation of local development strategies – LEADER approach	-	-	-	-	-
Farm diversification and business development	14,666,667	11,000,000	75%	3,666,667	25%
Technical assistance	2,470,588	2,100,000	85%	370,588	15%
Advisory services	-	-	-	-	-
Total	94,337,255	71,000,000	-	23,337,255	-

7.3 Budget breakdown by measure 2014-2020

Measures	Total public aid (EUR)	Private contribution (EUR)	Total expenditures (EUR)
Investments in physical assets of agricultural holdings	41,866,667	23,550,000	65,416,667
Investments in physical assets concerning processing and marketing of agricultural and fishery products	35,333,333	35,333,333	70,666,667
Agri-environment-climate and organic farming measure	-	-	-
Implementation of local development strategies – LEADER approach	-	-	-
Farm diversification and business development	14,666,667	7,897,436	22,564,103
Technical assistance	2,470,588	-	2,470,588
Advisory services	-	-	-
Total	94,337,255	66,780,769	161,118,024

7.4. Budget of EU Contribution by measure 2014-2020 in EUR for monitoring

Measures	EU Contribution (EUR)							
	2014	2015	2016	2017	2018	2019	2020	2014-2020
Investments in physical assets of agricultural holdings	-	-	5,150,000	5,680,000	5,410,000	7,070,000	8,090,000	31,400,000
Investments in physical assets concerning processing and marketing of agricultural and fishery products	-	-	5,300,000	5,570,000	4,410,000	6,080,000	5,140,000	26,500,000
Agri-environment-climate and organic farming measure	-	-	-	-	-	-	-	-
Implementation of local development strategies – LEADER approach	-	-	-	-	-	-	-	-
Farm diversification and business development	-	-	2,200,000	2,200,000	1,830,000	2,500,000	2,270,000	11,000,000
Technical assistance	-	-	350,000	550,000	350,000	350,000	500,000	2,100,000
Advisory services	-	-	-	-	-	-	-	-
Total	-	-	13,000,000	14,000,000	12,000,000	16,000,000	16,000,000	71,000,000

7.5 Percentage allocation of EU contribution by measure 2014-2020

Measures	EU Contribution (%)							
	2014	2015	2016	2017	2018	2019	2020	2014-2020
Investments in physical assets of agricultural holdings	-	-	39,62%	40,57%	45,08%	44,19%	50,56%	44,23%
Investments in physical assets concerning processing and marketing of agricultural and fishery products	-	-	40,77%	39,79%	36,75%	38,00%	32,13%	37,32%
Agri-environment-climate and organic farming measure	-	-	-	-	-	-	-	-
Implementation of local development strategies – LEADER approach	-	-	-	-	-	-	-	-
Farm diversification and business development	-	-	16,92%	15,71%	15,25%	15,63%	14,19%	15,49%
Technical assistance	-	-	2,69%	3,93%	2,92%	2,19%	3,13%	2,96%
Advisory services	-	-	-	-	-	-	-	-
Total	-	-	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%

8. DESCRIPTION OF EACH OF THE MEASURES SELECTED

8.1. Requirements concerning all or several measures

8.1.1. National minimum standards relevant to the Programme

- The applicable national legislation referring to the national minimum standards is listed in Annex 1.

8.1.2. Definition of rural areas

Rural areas include the territory of all municipalities with population, as established by the Population Census 2011, below 50,000 people.

The list of rural areas is given in Annex 2.

8.1.3. Common eligibility criteria applicable to all or several measures

1. For investment measures⁴⁷ eligible expenditure shall be limited to:

- i) the construction or improvement of immovable property, up to the market value of the asset;
- ii) the purchase of new machinery and equipment, including computer software up to the market value of the asset;
- iii) the general costs linked to the investment related expenditure (i) and (ii), such as architects', engineers' and other consultation fees, feasibility studies, business plan preparation, shall be eligible up to a ceiling of 12 % of the costs referred to in points (i) and (ii). The expenditures for preparation of a business plan should be maximum 4% of the costs referred to in points (i) and (ii) not exceeding equivalent of EUR 5,000. General costs can only be considered eligible if the project to which they relate is actually selected and contracted by the IPARD Agency.

The applicant must prove that he/she is the owner of the land/building/s relating to the investment or they have the right to use it for a minimum of 10 years counting from the date when the application is submitted. In case of investments in immovable property, irrigation, perennials, the applicant has to prove ownership of the land/building/s relating to the investment concerned or the right to use it for a minimum of 10 years counting from the date when the application is submitted.

Eligible are expenditures incurred after entrustment of budget implementation tasks (except for Technical Assistance measure) and after the signature of a Contract for allocation of IPARD funds between the recipient and IPARD Agency (except for general costs linked to the investment related expenditure).

Investment projects shall remain eligible for Union financing provided they do not, within five years from the final payment by the IPARD Agency undergo a substantial modification:

- a cessation or relocation of a productive activity outside the geographical area covered by the IPARD II programme;
- a change in ownership which gives to a firm or a public body an undue advantage;
- a substantial change affecting its nature, objectives or implementation conditions which would result in undermining its original objectives.

⁴⁷ Measures: 'Investments in physical assets of agricultural holdings'; 'Investments in physical assets concerning processing and marketing of agricultural and fishery products'; 'Farm diversification and business development'.

In determining the share of public expenditure as a percentage of total eligible cost of investment, account shall not be taken of national aid to facilitate access to loans granted without any Union contribution provided under Regulation (EU) No 231/2014.

2. Rules on origin of eligible expenditure applicable to all measures

All supplies purchased under a procurement contract, or in accordance with a grant agreement, financed under this Programme shall originate from one of the following eligible countries:

(a) Member States, IPA II beneficiaries, contracting parties to the Agreement on the European Economic Area and partner countries covered by the European Neighbourhood Instrument, and

(b) Countries for which reciprocal access to external assistance is established by the Commission. Reciprocal access may be granted, for a limited period of at least one year, whenever a country grants eligibility on equal terms to entities from the Union and from countries eligible under IPA II. Before the Commission decides on the reciprocal access and on its duration, it will consult the IPA II beneficiary.

However, they may originate from any country when the amount of the supplies to be purchased is below the threshold for the use of the competitive negotiated procedure. The term "origin" is defined in Article 23 and 24 of Council Regulation (EEC) N°2913/92⁴⁸.

Tenderers, applicants and candidates from non-eligible countries or goods from non-eligible origin may be accepted eligible by the Commission in case of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of a project, programme or action impossible or exceedingly difficult.

3. The following expenditure is not eligible for support under IPARD II programme:

- Taxes, including value added taxes;
- Customs and import duties, or any other charges having equivalent effect;
- Purchase, rent or leasing of land and existing buildings, irrespective of whether the lease results in ownership being transferred to the lessee;
- Fines, financial penalties and expenses of litigation;
- Operating costs;
- Second hand machinery and equipment;
- Bank charges, costs of guarantees and similar charges;
- Conversion costs, charges and exchange losses associated with the IPARD euro account, as well as other purely financial expenses;
- Contributions in kind;
- The purchase of agricultural production rights, animals, annual plants and their planting;
- Any maintenance, depreciation and rental costs;
- Any cost incurred and any payments made by the public administration in managing and implementing assistance, including those of the management and operating structure and, in particular, overheads, rentals and salaries of staff employed on activities of management, implementation, monitoring and control, except where duly justified by the nature of the measure in the IPARD II programme.

⁴⁸Council Regulation (EEC) N°2913/92 of 12 October 1992 establishing the Community Customs Code and other Community legislation governing non-preferential origin (OJ L 302, 19 October 1992, p. 1).

- Expenditure on projects which, before completion, have charged fees to users or participants unless the fees received have been deducted from the costs claimed;
- Promotional costs, other than in the collective interest;
- Expenditure incurred by a recipient of whose capital more than 25% is held by a public body or bodies unless the Commission has so decided in a specific case on the basis of a complete reasoned request from the MA. This exclusion shall not apply to expenditure on infrastructure, LEADER approach or human capital.

4. Economic viability

Eligible for support are only investments that are economically viable at the end of investment period. This economic viability is demonstrated and proved at the application stage, through the Business plan/technical project. The criteria that will be used by the IPARD Agency to assess the economic viability of investment are presented in the Annex 3.

8.1.4. Controllability and verifiability of the measures

The controllability and verifiability of the measures will be ensured by following:

- Definition and application of clear, quantifiable and transparent eligibility and selection criteria, which can be measured and controlled.
- Selection process based on the pre-defined and publicised criteria with transparent and well-documented procedures (audit trails) and administrative capacity, ensuring compliance with the principles of sound financial management, including selection of applications, administrative and on-the-spot control of eligibility of expenditure, verification of compliance with the principle of value for money and public procurement legislation and adequate IT systems.
- The reasonableness of the costs proposed, will be evaluated based on a suitable evaluation system, such as reference costs, standard unit costs, a comparison of different offers or an evaluation committee.
- Proper documentation management and verification of documents – recipient shall be required to keep records of operations, invoices and accounting records.
- Ex-post verifications carried out on investment operations to verify the respect of commitments laid down in the IPARD II Programme. The ex-post verifications shall be carried out within 5 years of the date of final payment to the recipient. All investments shall be checked at least once during the five-year period. The ex-post verifications, carried out throughout the five-year period, shall be based on an analysis of the risks and financial impact of different operations, groups of operations or measures.

The risk of errors will be reduced by the following measures:

- Well established internal control system, guaranteeing that controls described in procedure manuals are actually applied in the way that they are accredited and supervisory personnel reviews the functioning of controls;
- Use of simplified cost options based on adequate, accurate and established in advance on the basis of a fair, equitable and verifiable calculation. The calculations will be verified for adequacy and accuracy, and confirmed by a body that is functionally independent from the authorities responsible for the IPARD II programme. The relevant documents shall be provided to the Commission in advance of the implementation of the simplified costs options.

- Publication and wide dissemination of guidance documents to potential applicants, describing clearly the eligibility criteria and requirements for application, criteria for selection, rules for implementation of projects and preparation of payment claims;
- Training and issuing of guidelines to beneficiaries on eligibility, implementation and preparation of payment claims;
- Regular training of IPARD Agency staff and technical bodies on procedures for verification of eligibility of applicants, applications, and payments claims, irregularities prevention and detection.

The controllability and verifiability of the measures has been ex-ante assessed jointly by the MA and IPARD agency during the process of preparation of the Programme and the assessment will be updated during the implementation based on results of controls, audit findings or after modification of measures or inclusion of new measures.

8.1.5. Targeting of measures

Targeting of measures is achieved through:

- Eligibility criteria limiting support to priority sectors and target groups based on sectoral studies;
- Selection criteria targeting support to the priorities of IPARD II programme and measures' objectives.

Eligibility and selection criteria aim to ensure equal treatment of applicants, transparency and better use of financial resources and minimising deadweight investments. In defining eligibility and selection criteria, the principle of proportionality is taken into account in relation to small grants.

The deadweight loss risk is reduced by focusing of the Programme to sectors and territories with structural disadvantages resulting in underinvestment and slow or negative growth rates. Thus, programme resources are focused on the investments that will not be implemented or significantly delayed without public support. To further reduce deadweight risk in some of the selected sectors only investments aiming environmental protection or renewable energy production are eligible for support. In addition, in all measures a priority is given to investment bringing mainly nature and environment protection benefits, which are with lower deadweight loss risk.

8.1.6. Administrative procedure for selection of investment projects

Projects under investment measures⁴⁹ will be selected through open calls of applications. The Managing Authority, in agreement with the IPARD Agency, shall each year draw up an Annual Work Programme of Calls for applications (AWP), indicating the number of calls, time for launching and deadlines for submission of applications of each call, the indicative budget of each measure under each call for applications. The annual programme will be published on the Programme website no later than 31 January of the “n” year. In case of substantial change/need for adjustment of above stated conditions during the year an update of the annual work programme will be published.

⁴⁹Measures: ‘Investments in physical assets of agricultural holdings’; ‘Investments in physical assets concerning processing and marketing of agricultural and fishery products’; ‘Farm diversification and business development’;

For each call for application, a Guidelines for Applicants (GfA) will be published, which will specify: the objectives of the measures, eligibility criteria (eligibility of applicants, investments and eligibility of expenditures) and selection criteria, specified in this Programme; the total budget of the call and per measure, aid intensity, list of supporting documents for applications and payment claims; deadlines for submission of applications, procedure for submission and selection of applications. Procedure for selection of projects and payments will also be described in the GfA. Standard grant contract and payment claim will be included for information. The GfA will strictly respect all provisions (eligibility and selection criteria) set out in the IPARD II programme, FWA and IPARD SA.

The GfA will include annexes with the templates of application forms, claim for payment and other documents to be filled in by the applicants. The GfA will contain also templates of the business plan:

- If the total eligible cost of the investment is EUR 50,000 or less, applicants will have to submit technical project proposal with simplified income and cash flow projections;
- If the total eligible cost of the investment is above EUR 50,000, applicants will be requested to submit a business plan.

IPARD Agency will launch the calls for application within the deadlines approved in the Annual Programme and will implement information campaign in co-operation with the MA.

All submitted applications will be registered and those submitted before the deadline of the Call for applications will be processed and controlled for administrative compliance and eligibility based on submitted supporting documents. In case of minor omissions in the supporting documents, applicants shall be required to correct them.

The applications that have passed the first administrative and eligibility check will be assessed for economic viability and reasonableness of the costs proposed.

All applicants that comply with the administrative and eligibility rules will be checked on-the-spot to verify that the information submitted in the application form and supporting documents is correct.

The compliant and eligible applications shall be ranked according to the selection criteria and funded up to the limit of the budget of the call for applications. If the budget is not sufficient to fund two or more equally ranked proposals, the grant shall be awarded on the first-come, first-served basis. The ranking procedure shall not be applied when the total grant amount requested by the submitted applications is lower than the total budget of the call for applications.

A reserve list shall be also drawn. If after the completion of contracting of all selected application, for whatsoever reason, the total budget of the call for applications is not contracted, the projects from the reserve list will be contracted.

All the provisions stated above are subject to accreditation and may change. The final provisions will be laid down in IPARD agency procedures.

8.2. Description by Measure

8.2.1 Measure ‘Investments in physical assets of agricultural holdings’

8.2.1.1. Title of the Measure

‘Investments in physical assets of agricultural holdings’

8.2.1.2. Legal basis

- Article 2 (1) of IPA Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action;
- Article 27 (1) (1) of the Sectoral Agreement;
- Annex 4 of the Sectoral Agreement.

8.2.1.3 Rationale

Investments in physical assets are needed to improve overall productivity, economic viability and attainment of national and union standards in agricultural holdings. There is an overall scarcity of own capital at farm level, hence, public support is needed to encourage investments.

Milk production is one of the most important agricultural sectors in Albania. The farms need to be supported to improve the competitiveness and standards for raw milk hygiene and quality, animal welfare and waste treatment. Therefore, public support is needed to encourage and facilitate investments in on-farm milking and milk cooling and storage facilities, improvement of premises and facilities to comply with the animal welfare conditions, manure storage and handling equipment.

The measure will support potentially economically viable farms in the *meat sector*. In the sheep and goat meat production transhumance is widely practiced, taking advantage of the potential of mountain pastures and high meat quality, using local breeds raised under the natural mountain conditions. However, shortage of water is a serious concern during the pasturing in remote mountain areas. In addition, appropriate winter housing, fodder conservation and animal handling are issues of concern. Grazing resources, including pasture and agricultural land, are fundamental for livestock raising, but have deteriorated significantly over the last years. The possibilities for expansion of natural pastures are limited. Therefore, increased amounts of feed must come from improved production of fodder and improved utilisation of industrial by-products, such as olive cake, bran and soybean meal.

There is a need for raising the standards of pig and poultry farming in order to improve animal welfare conditions (housing, ventilation, etc.), fodder preparation and storage, and manure storage, treatments and handling to enable farmers to comply with the Union environmental animal welfare standards.

The increase of the competitiveness of the *fruit and vegetables sectors* requires support for reduction of production costs and improvement of quality through increase of the production scale, introduction of new technologies, improvement of crop husbandry and harvesting mechanisation and post-harvest infrastructure.

Albania has very good soil and climatic conditions for development of *viticulture* and grape cultivation is widespread and important source of income and self-employment for a high number of agricultural holdings. The public support is needed to encourage consolidation of production of wine and table grapes, introduction of varieties responding to industry and market requirements and in increasing quality and productivity.

According to the SWOT analysis made, the age structure of farm operators is very unfavourable. Therefore, encouragement will be given to young farmers to modernise and introduce innovative agricultural systems.

Migration from rural mountain to urban areas and abroad has increased significantly over the last years. Therefore, in order to prevent further decline, a priority will be given to farmers operating in the mountain areas.

Organic farming tends to require a higher labour input and can attain higher price margins and supports environment preservation. Therefore, under the present conditions in Albania, the measure prioritises organic farming.

Priority is given also to investments in production of renewable energy for own consumption and waste treatment.

8.2.1.4. General objectives, specific objectives

The *general objectives* of the measure are:

- To support progressive alignment to Union rules, standards, policies and practices with a view to Union membership;
- To support economic, social and territorial development, with a view to a smart, sustainable and inclusive a growth, through the development of physical capital.
- To address the challenges of climate change by promoting resource efficiency and renewable energy.

The *specific objectives* of the measure are:

- To improve the overall performance of agricultural holdings in the production of primary agricultural products;
- To be consistent with EU Standards as regards environmental protection and animal welfare;
- To encourage investments in physical assets in milk, meat, fruits, vegetables and grape agricultural sectors with the aim to:
 - Improve raw milk and meat hygiene and quality conditions on the farm through modernisation of production, storage and transportation technologies and practices;
 - Improve animal health and welfare through investments in animal housing and handling facilities;
 - Support introduction of environmentally friendly and climate relevant manure handling, storage and treatment facilities;
 - Improve production technique and technology, and also certified seedlings production to enable farmers to produce fruit, vegetables and grape of a quality that can compete in the rapidly changing Albanian marketplace and to comply with EU standards, in particular in the storage and application of crop protection chemicals and fertilizers, and in chemical residue levels;
 - Reduce postharvest losses through on-farm investments in storage technology and infrastructure and postharvest handling equipment, including cooling capacities, sorting and packaging lines.

8.2.1.5. Linkage to other IPARD measures in the programme

The measure is linked to the measure "Investments in physical assets concerning processing and marketing of agricultural and fishery products". The Measure will support investments in viable agricultural holdings, which should lead to improving quality and food safety of raw materials needed for the processing industry and aligning of the food chain with the Unions standards.

8.2.1.6. Linkage to national measures

The national measures will provide investment support to sectors/investments not supported by IPARD, but important for the modernisation of the agriculture as well as to small farms to restructure and achieve viability (see Section 10.3).

8.2.1.7. Recipients

Recipients are farmers, whether natural persons or legal entities, including co-operatives, registered in the National Registration Centre and included in the national farm register.

Recipients are responsible for carrying-out and financing investments.

8.2.1.8. Common eligibility criteria

- The investment project must concern production of primary agricultural products from the selected sectors – milk, meat, fruit and vegetables, grapes, listed in the Annex I to the Treaty on the European Union.
- The *entire agricultural holding* must comply with national minimum standards in force regarding environmental protection and animal welfare at the end of investment. The recipient must submit with the final payment claim a certificate from the national veterinary and environmental authorities confirming that all applicable national minimum standards are respected on the holding of the recipient. If the national standards are similar to the EU standards, in duly justified cases, derogation from this rule may be approved by the Commission.
- The investment when concluded must respect the relevant Union standards as regards environmental protection and animal welfare.
- Agricultural holdings whose capital more than 25% is held by a public body or bodies are not eligible to apply.
- The recipient, if natural person, or in case of legal entity, the legal representative or employee at management level, must have university degree or vocational qualification diploma in the agriculture related field (agricultural or veterinary sciences, agricultural economics) or at least 3 years of work experience in agriculture;
- The applicants must present a technical project proposal or a business plan proving the economic viability of the project investment at the end of the investment (see Annex 3);
- The applicants must have fulfilled all obligations relating to the payment of taxes, including land tax, and social security (pension and health) contributions and must not be on the bad debtor list of ARDA.
- The measure will support only investments in renewable energy (on-farm) for self-consumption.
- For investment for on-farm-irrigation systems, before submission of claim for payment, the recipient has to prove the appropriate license, authorisation, or concession for water use. Investments in on-farm irrigation must comply with Articles 38, 39, and paragraph 1/e of article 41 of Law no. 111/2012 “On the integrated management of water sources”, as well as in the decision “On the adoption of special conditions, accompanying documents, validity deadline, application forms for issuing authorisations and permits, assessment and decision making procedures, as well as authorisation and permit templates for using of the water sources”.
- Fruits and/ or vegetable propagation material and/or seedlings and/or seeds must be certified according to the relevant national legislation in force.

- For the whole programming period, one recipient may receive support for purchase of only one tractor, with a maximum power not exceeding 100 KW based on scale and nature of activity. Out of the total amount of EU contribution allocated to this measure, a maximum of 20% can be spent on tractors.
- An applicant may not submit a new application under the same measure before a final payment on a previous grant contract.

8.2.1.9. Specific eligibility criteria (per sector)

At the end of the investment (before final payment) the agricultural holding of the recipient must have the following minimum size:

Milk sector:

- minimum 10 cows registered under the animal register;
- minimum 100 sheep and/or goats registered under the animal register.

Meat sector:

- 10 cattle registered under the animal register;
- 100 sheep and/or goats registered under the animal register;
- 1,000 heads of poultry (broilers and laying hens).

Fruit and open field vegetables sector

- minimum 0.5 ha of land cultivated with vegetables or minimum 0.5 ha of land cultivated with fruit in one or several blocks.

For Protected Crops

- Minimum of 0.2 ha of protected area in a form of glasshouses/ greenhouses/or tunnels

Vineyards

- Minimum of 0.5 ha of vineyards.

8.2.1.10. Eligible expenditure

Eligible expenditures are limited to expenditure related to investments in tangible and intangible fixed assets specified in Section 8.1.3 point 1. To be eligible for support, investments must comply with all provisions stated in Section 8.1.3.

Examples of eligible type of investments

Milk and meat sector

- Milking equipment, cooling or storage facilities;
- Construction and/ or reconstruction including installations of pre-fabricated animal housing, storage sheds or machine sheds;
- On-farm animal feed preparation, handling, distribution systems and storage facilities;
- On-farm silage preparation, handling and storage facilities;
- Manure and waste storage facilities, manure handling and treatment facilities;
- Fences and gates, and protective fencing, feed fences, short stands, animal weighing systems, disinfections units, loading ramps, laneways, branding and injection chutes;
- Animal watering systems;

- Renewable energy technologies (such as solar panels or other technologies, except bio-gas facilities for heating, ventilation, powering electric fences or water pumps) for on-farm consumption only;
 - IT (hardware and software) for herd management, milk registry or general farm management.
- For the sub-sector poultry – only manure and waste storage facilities, manure handling and treatment facilities and renewable energy technologies are eligible.

Fruits, vegetables and vineyards sector

- Investments in creation of new or restructuring (rehabilitation) of existing orchards and vineyards, including cost of certified propagation material; planting, pruning, installation of trellis and other services carried out by a third party, with the exception of soil fertilizing;
- Purchase of new or upgrading of existing on-farm drip-irrigation and water sprinkling systems and services for digging wells, when primary irrigation is not available;
- Purchase of specialised horticultural machinery and equipment (such as specialised tractors and cultivators, sprayers, harrows, trailers or other specialised equipment);
- Construction and/ or reconstruction of glasshouses/ greenhouses/ tunnels, including installations encompassing also renewable energy technologies for heating or watering systems;
- Investments in harvesting and post-harvest specialised equipment and facilities on the farm (such as temporary storage facilities, pre-cooling equipment and tools, cleaning, sorting, grading, packaging lines, cooling units and cold stores, and non-conditioned potato storages);
- Production of energy from renewable energy sources for on-farm consumption only - heating, cooling, ventilation, irrigation or water pumps (such as solar panels or other technologies except bio-gas facilities).

The eligible expenditure per sector shall be further detailed in the 'list of eligible expenditure'.

8.2.1.11. Aid intensity and EU contribution rate

The minimum total eligible cost of the investment per project is EUR 10,000 and the maximum - EUR 500,000. One applicant may be granted more than one project, but the total eligible cost of investments per recipient under this measure may not exceed EUR 1,500,000 for the whole programming period.

Out of the total amount of EU contribution allocated to this measure, a maximum of 20% can be spent on tractors.

Aid intensity is:

- up to 60% of the total eligible cost of the investment;
- up to 65% if investments are made by young farmers (under 40 years of age at the time of application);
- up to 70% for investments in mountain areas (see list of settlements in mountain areas in Annex5).

Aid intensity can be increased by 10% for investments related to effluent and waste management.

EU contribution rate is 75 % of the public aid.

8.2.1.12. Selection criteria

Criteria		Points
1	The investment is carried out in a mountain areas listed in Annex 5	10
2	Investments concern manure storage, treatment, and/ or handling	15
3	Investments in renewable energy production	15
4	Applicant agricultural holding is certified for organic production to the national law on organic farming	15
5	The applicant is an agricultural cooperation association established by Law No. 38 of 05.04.2012	15
6	The applicant is a young farmer (under 40 years of age at the time of application)	15
7	The applicant is a woman	15
Total (maximum)		100

8.2.1.13. Indicators and targets

Indicator	Target 2020
Number of projects supported	430
Number of holdings performing modernisation projects	430
Number of holdings progressively upgrading towards EU standards	300
Number of holdings investing in renewable energy production	20
Number of holdings investing in livestock management in view of reducing the N20 and methane emissions (manure storage)	40
Total investment in physical capital by holdings supported (EUR)	52,000,000

8.2.1.14. Administrative procedure

The selection of projects follows the administrative procedure described in Section 8.1.6.

8.2.1.15. Geographical scope of the measure

The measure will be applied on the whole territory of the Republic of Albania.

8.2.1.16. Other information specific to the measure

N/A

8.2.1.17. Indicative budget per measure

Year	Total eligible cost	Public aid						Private contribution	
		Total		EU contribution		National contribution		(EUR)	(%)
(EUR)	(EUR)	(%)	(EUR)	(%)	(EUR)	(%)	(EUR)		
2014	-	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-	-
2016	10,729,167	6,866,667	100%	5,150,000	75%	1,716,667	25%	3,862,500	36%
2017	11,833,333	7,573,333	100%	5,680,000	75%	1,893,333	25%	4,260,000	36%
2018	11,270,833	7,213,333	100%	5,410,000	75%	1,803,333	25%	4,057,500	36%
2019	14,729,167	9,426,667	100%	7,070,000	75%	2,356,667	25%	5,302,500	36%
2020	16,854,167	10,786,667	100%	8,090,000	75%	2,696,667	25%	6,067,500	36%
Total	65,416,667	41,866,667	100%	31,400,000	75%	10,466,667	25%	23,550,000	36%

8.2.2 Measure ‘Investments in physical assets concerning processing and marketing of agricultural and fishery products’

8.2.2.1. Title of the Measure

‘Investments in physical assets concerning processing and marketing of agricultural and fishery products’

8.2.2.2. Legal basis

- Article 2 (1) of IPA Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action;
- Article 27 (1) (3) of the Sectoral Agreement;
- Annex 4 of the Sectoral Agreement.

8.2.2.3 Rationale

To compete successfully in an increasingly open market, the food processing industry needs to modernise technologies and to improve food safety management systems. The food industry has to establish safe collection, transport and storage of raw materials to reduce waste and ensure food safety.

Milk and dairy sector needs substantial investments to modernise technologies, to improve quality and to comply with Union standards. Closed cooling chains from producer to consumer are still rare. Milk collecting points and appropriate milk transport trucks with cooling systems are missing. In general, Union quality and food safety standards are almost not yet implemented and the microbiologic status of produced raw milk is seldom controlled. This situation needs to be changed through investments in milk sampling equipment for milk processors, which would encourage them to sample milk and implement systems of quality control. The investments are needed to diversify and improve quality and safety of products and to reduce costs. Industry needs support to improve waste management practices.

To increase competitiveness and environmental performance of *meat processing sector* there is a need to encourage investments in compliance with EU standards and improvement of waste management and processing of by-products. *Slaughterhouses* still need to be upgraded and meet the food safety and animal welfare standards.

The measure targets all *fruit and vegetables processing enterprises* and focuses on boosting investment in improving quality and food safety and reduction of losses in the production process. Introduction of food safety systems requires investments in upgrading the technology and improving conditions in their production facilities and acquisition of quality control equipment and IT systems. Appropriate post-harvest and cold chain facilities are of key importance for quality in the vegetables value chain. Therefore, measure supports improving post-harvest handling and storage and packaging.

The Albanian *wine sector* may seize emerging opportunities of increasing domestic demand for quality wines, if supported for investments in quality improvement, modernisation of technologies, upgrading equipment, especially storage tanks, fermenters and laboratory equipment, and developing the quality wines based on local/autochthon grape varieties.

Under the measure a priority will be given to investments in establishment of food safety systems, which are of key importance for supplying local market with safe food products and successful competition on domestic and foreign markets. To encourage adaptation of the industry to environmental standards, priority under the measure will be given to investments aiming at

waste treatment, water purification and utilisation of waste products, and renewable energy solutions and resource efficiency.

8.2.2.4. General objectives, specific objectives

The *general objectives* of the measure are:

- To increase the ability of the agri-food sector to cope with competitive pressure and market forces and to help the sector to progressively align with the Union standards by supporting development of the physical assets;
- To address the challenges of climate change by promoting resource efficiency and renewable energy.

The *specific objectives* of the measure are:

- To modernise physical assets of selected priority food processing sectors in order to improve competitiveness and to gradually align with Union standards in the fields of environmental protection, food safety and public health, animal welfare, and occupational safety;
- To encourage investments in milk, meat, fruits and vegetable and wine processing enterprises with the aim to:
 - Improve milk hygiene at milk collection points through support to investments in milk cooling tanks and specialised milk transport vehicles;
 - Encourage introduction and improvement of technologies and practices at food processing plants, contributing to the production of products gradually meeting Union standards and improving competitiveness;
 - Encourage investments in slaughtering facilities, which would comply with the Union standards;
 - Reduce the post-harvest losses and improve storage techniques and capacities in fruits and vegetables, and grapes;
 - Support introduction and improvement of food safety and quality systems;
 - Improve treatment and handling of waste and utilisation of by-products.

8.2.2.5. Linkage to other IPARD measures in the programme

The measure targets support to investments in milk and dairy, slaughtering and meat processing, fruit, vegetables and wine processing. It is designed to complement the interventions under measure ‘Investments in physical assets of agricultural holdings’, aiming at increasing supply of safe and environmentally friendly farm products.

8.2.2.6. Linkage to national measures

The national measures aiming at improving access to credit of the food industry will support the implementation of the measure.

After the start of the Programme, the national support investment schemes will not overlap with the eligible sectors and investments under this Measure. Further information on complementarity and demarcation is provided in the chapter 10.3.

8.2.2.7. Recipients

Recipients are food processing enterprises, responsible for carrying-out the project in their establishment(s), which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet in total not exceeding EUR 43 million, which corresponds to the definition of SME provided in Annex 4, and have to be:

- Natural persons or legal entities, with no more than 25% of the capital held by public body(ies), and

- Established according to the national legislation in force, and registered in accordance with the Albanian legislation in force at the National Registration Centre and licensed, if required in accordance with the Albanian legislation in force for the eligible processing activity (eligible investments) under this measure.

8.2.2.8. *Common eligibility criteria*

- The *entire enterprise* must comply with the main relevant national minimum standards in force regarding environmental protection, public health, animal welfare, and occupational safety, not later than at the end of the project (before the final payment).
- Before submission of application to the IPARD Agency, each project must be analysed by the relevant national authorities if relevant national main minimum standards by the recipient enterprise will be attained at the end of the project.
- Investments supported must concern the processing and/or marketing of products covered by Annex I to the Treaty on the Functioning of the European Union, and/or the development of new products, processes and technologies linked to products covered by Annex I to the Treaty on the Functioning of the European Union.
- The recipient must submit with the final payment claim a certificate from the relevant national authorities confirming that all applicable national minimum standards are respected on the *enterprise* and that the *investment* meets the relevant EU standards.
- The applicants must present a business plan proving the economic viability (as defined in Annex 3) of the project at the end of the investment.
- The applicants must have fulfilled all obligations relating to the payment of taxes, including land tax, and social security (pension and health) contributions and must not be on the bad debtor list of ARDA.
- An applicant may not submit a new application under this measure before a final payment on previous grant contract.

8.2.2.9. *Specific eligibility criteria (per sector)*

At the end of the investment (before final payment) the recipient must have the following minimum capacities:

Milk processing

- Milk processing capacity of 1500 litres per day/750 litres in mountain areas;

Slaughtering

- Bovines slaughtering: minimum 10 heads per day; or
- Small ruminants slaughtering: minimum 40 heads per day; or
- Pigs slaughtering: minimum 15 heads per day; or
- Poultry slaughtering: minimum 5,000 birds per day.

Wine processing

- Wine processing capacity: 200 hectoliters per year.

The measure will support only investments in renewable energy technologies for self-consumption.

For meat processing plants, the entire establishment must comply with EU standards at the end of the investment.

Support will be given for construction/renovation of no more than two slaughterhouses per NUTS II region. If more than two applications are submitted, preference will be given to the two which propose the highest slaughtering capacity.

8.2.2.10. Eligible expenditure

Eligible expenditures are limited to expenditure related to investments in tangible and intangible fixed assets specified in Section 8.1.3 point 1. To be eligible for support investments must comply with all provisions stated in Section 8.1.3.

Examples of eligible type of investments

Milk collection and storage

- Construction and/or reconstruction of milk collection centres;
- Milk tanks and cooling equipment, specialised milk transportation facilities;
- Equipment for the preparation of intermediate or final dairy products for consumption;
- Equipment and technology for improvement and control of raw milk quality and hygiene;
- Investments for or the introduction and/ or improvement of food safety systems;
- IT hardware and software for milk registry and monitoring, control and management.

Milk processing

- Construction and/ or/reconstruction of milk processing plants;
- Investments in homogenisation, sterilisation, pasteurisation, packaging, cooling, and storing of milk and dairy products;
- Equipment and technology for improvement and control of product quality and hygiene;
- Introduction and/ or improvement of quality management systems;
- Equipment for quality control, including in-factory laboratories;
- Investments for the introduction and/ or improvement of food safety systems;
- Investments in energy saving and environmental protection technologies;
- Equipment and facilities for processing of intermediate products and wastes; treatment and elimination of wastes;
- IT hardware and software for product and process management (milk registry, general enterprise management).

Slaughterhouses:

- Construction and/ or reconstruction of slaughterhouses;
- Equipment for slaughterhouses;
- Construction and/ or reconstruction of cooling storage rooms, storage facilities, ice cooling/freezing facilities and container washing facilities;
- Waste and by-products treatment equipment;
- Investments for the introduction and/ or improvement of food safety systems;
- Investments for the introduction and/ or improvement of quality management systems;
- IT hardware and software for monitoring, control and management.

Meat processing plants:

- Construction and/ or reconstruction of meat processing plants;
- Construction and/ or reconstruction and equipment for cold storage facilities;

- Investments for the introduction and/ or improvement of food safety systems;
- Investments in increasing environmental protection, water treatment or purification facilities equipment for treatment and elimination of wastes, and value-adding of by-products.

Fruit and vegetables processing sector:

- Construction and/ or reconstruction of premises used for the food processing activity;
- Equipment for preserving, pasteurising lines of fruit and vegetables, drying tunnels, etc.;
- Facilities and equipment for post-harvest handling and storage for raw material, storage for packaging;
- Packaging and labelling equipment, including filling lines, wrappers, labellers and other specialised equipment;
- Cold chain equipment, including cold and deep freezing storage, freezing tunnels, refrigerated transport and other equipment necessary to ensure continuity in the cold chain;
- Premises and equipment for quality control, including in-factory laboratories;
- Introduction and/ or improvement of food safety and quality management systems;
- Investments in increasing environmental protection, equipment for treatment and elimination of waste and value-adding of by-products;
- IT systems including software for product and process management.

Wine sector:

- Construction and or reconstruction of processing facilities;
- Equipment for grape reception and pressing, wine-makers and storage systems, bottling and packaging systems;
- Premises and equipment for quality control, including in-factory laboratories;
- Introduction and/or improvement of food safety and quality management systems;
- Investments in increasing environmental protection, equipment for treatment and elimination of waste and value-adding of by-products;
- Renewable energy technologies for energy saving IT systems including software for product and process management.

The eligible expenditure shall be further detailed in the 'list of eligible expenditure'.

8.2.2.11. Aid intensity and EU contribution rate

The minimum total eligible cost of the investment is EUR 25,000 and the maximum – EUR 2,000,000. One applicant may be granted more than one project, but the total eligible cost of the investments per recipient under this measure may not exceed EUR3,000,000 for the whole programming period.

Aid intensity is up to 50% of the total eligible cost of the investment. In case of investments related to effluent and waste management it may be up to 60% of the total eligible cost of the investment.

EU contribution rate is 75 % of the public aid.

8.2.2.12. Selection criteria

Criteria		Points
1	The investment involves the establishment of food safety standard systems	20
2	Investments are related to waste treatment, water purification, and/or utilisation of waste products	30
3	The investment includes renewable energy technologies	20
4	The investment targets alignment of the entire establishment with all relevant Union standards	30
Total (maximum)		100

8.2.2.13. Indicators and targets

Indicator	Target 2020
Number of projects supported	180
Number of enterprises performing modernisation projects	180
Number of enterprises progressively upgrading towards EU standards	180
Number of enterprises investing in renewable energy production	15
Total investment in physical capital by enterprises supported (EUR)	71,000,000
Number of jobs created (gross)	450

8.2.2.14. Administrative procedure

The selection of projects follows the administrative procedure described in Section 8.1.6

8.2.2.15. Geographical scope of the measure

The measure will be applied on the whole territory of the Republic of Albania.

8.2.2.16. Other information specific to the measure

N/A

8.2.2.17. Indicative budget per measure

Year	Total eligible cost	Public aid						Private contribution	
		Total		EU contribution		National contribution		(EUR)	(%)
(EUR)	(EUR)	(%)	(EUR)	(%)	(EUR)	(%)	(EUR)		
2014	-	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-	-
2016	14,133,333	7,066,667	100%	5,300,000	75%	1,766,667	25%	7,066,667	50%
2017	14,853,333	7,426,667	100%	5,570,000	75%	1,856,667	25%	7,426,667	50%
2018	11,760,000	5,880,000	100%	4,410,000	75%	1,470,000	25%	5,880,000	50%
2019	16,213,333	8,106,667	100%	6,080,000	75%	2,026,667	25%	8,106,667	50%
2020	13,706,667	6,853,333	100%	5,140,000	75%	1,713,333	25%	6,853,333	50%
Total	70,666,667	35,333,333	100%	26,500,000	75%	8,833,333	25%	35,333,333	50%

8.2.3 Measure ‘Farm Diversification and Business Development’

8.2.3.1. Title of the Measure

‘Farm Diversification and Business Development’

8.2.3.2. Legal basis

- Article 2 (1) of IPA Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action;
- Article 27 (1) (7) of the Sectoral Agreement;
- Annex 4 of the Sectoral Agreement.

8.2.3.3 Rationale

Diversification and raising the level of economic activity in rural areas has to be encouraged in order to support creation of new and maintenance of already existing jobs and to increase the income of rural population. The insufficient own financial resources of farmers and small businesses, low profitability and high risk related to investments in rural areas require targeted public support for investments in physical capital.

Farm incomes may be increased and jobs maintained through support for investment aiming at full and sustainable utilisation of the country potential and market opportunities for *cultivation of MAPs, mushrooms honey, ornamental plants and snails*. The development of these primary activities has to be supported also by encouragement of investments for *improving the processing and marketing of these products*, aiming at increasing capacity, quality, value added and food safety.

On-farm processing and direct marketing of agricultural products has a long tradition and local products have good market acceptance, but investments are needed for improvements in hygiene and food safety standards and development of quality of the products.

There are abundant natural resources for *aquaculture* development and increasing local demand for fish products. The capacity for aquaculture farming is small and the technologies are out-dated. The development of the sector requires support to investments for introduction of modern aquaculture technologies and modernising physical capital, including infrastructure and marketing facilities compliant with national and EU standards. The development of the sector may bring additional jobs and incomes in rural areas and can support supply of farmed fish to the local market and tourism industry.

The diversity of nature, landscape, culture and history gives a good potential for the development of *nature and rural tourism*. It may utilise the opportunities of increased international tourist inflow in Albania, increasing demand for alternative tourism and recreational services of international and domestic customers. The rural tourism can create or preserve jobs with various skills level as well as improve living environment in rural areas. The measure will support investments in development of accommodation facilities, services and tourist attractions compliant with the priorities of the national Tourism Strategy 2014-2020.

The improvement of access and quality of *services for rural population and business* is needed to halt the trend of depopulation of rural areas. The measure will support increasing private sector supply of childcare and social services as well as ICT and other business related services.

The measure will also support development of the *traditional crafts and small scale manufacturing* industry, such as textile, wood processing, which have potential for creation of jobs in rural areas.

Albania has significant potential for *renewable energy production* (solar, wind, biomass and others). The measure will provide support for the increase of renewable energy production, which can contribute to the diversification of rural economy and to climate change mitigation and adaptation.

In the selection of projects, a strong priority will be given to projects that create new jobs in rural areas. In line with the targeted results of the Strategy Paper, priority will be given to promotion of women and young people entrepreneurship, capitalising on the large share of young population with strong motivation to improve quality of life and income. The measure will also promote the co-operation of farmers and investments in the mountain regions by giving priority in selection of projects. Priority will be also given to investments in renewable energy and organic production, thus promoting environment and biodiversity preservation and climate change mitigation/adaptation.

8.2.3.4. General objectives, specific objectives

The *general objective* of the measure is to foster employment by creation of new and maintaining the existing jobs through the development of business activities, thus raising the economic activity level of rural areas, increasing directly the farming households' income and reversing rural depopulation and contributing to a better territorial balance, both in economic and social terms.

The *specific objectives of the measure* are to encourage creation, diversification and development of rural activities through support for investments in farm diversification and development of non-agricultural activities in the following sectors:

1. Production of MAPs, mushrooms, honey, ornamental plants and snails;
2. Processing and marketing of wild or cultivated MAPs, mushrooms and honey;
3. On-farm processing and direct marketing of agricultural products;
4. Aquaculture;
5. Nature and rural tourism;
6. Services for rural business and population;
7. Handcrafts and manufacturing industry;
8. Renewable energy production and use.

8.2.3.5. Linkage to other IPARD measures in the programme

The measure contributes to the objectives of the Measure "Investments in physical assets of agricultural holdings" by supporting additional income generating activities of the farmers and, thus, farm viability.

It contributes also to the objectives of the measure "Investments in physical assets concerning processing and marketing of agricultural and fishery products" by supporting on-farm investments in processing of agricultural products. The demarcation is by type of recipient: only farmers are eligible for support under the sub-measure for on-farm processing of agricultural products.

8.2.3.6. Linkage to national measures

After the start of the Programme, the national investment schemes for agri-food sector will be redesigned to ensure avoidance of overlapping with the eligible investments under this Measure. In case of introduction of national schemes for non-agricultural sectors, the actions will be taken to avoid overlapping and to seek synergies with the IPARD II measures.

Further information on complementarity and demarcation is provided in the Chapter 10.3.

8.2.3.7. Recipients

Recipients are:

i) Farmers, whether natural persons or legal entities, including co-operatives, registered in the National Registration Centre and included in the national farm register;

ii) Non-agricultural private micro and small-sized enterprises:

- private enterprises, established and/or operating in rural areas, registered as natural persons or legal entities in the National trade register, are eligible for all sectors except for the sector "On-farm processing and marketing of agricultural products";
- private enterprises established outside of rural areas, can be also eligible, if the supported investments are located in rural areas.
- No more than 25% of the capital of the recipient should be held by a public body or bodies.

Only farmers are eligible for support under sub-measure "On-farm processing and marketing of agricultural products". Only cooperations of farmers are eligible to apply for investments in activities for renting of agricultural machinery ('machinery rings').

Recipients are responsible for carrying-out and financing investments.

8.2.3.8. Common eligibility criteria

- Supported investments must be located in rural areas listed in Annex 2.
- All supported projects must be compliant with the relevant national standards at the latest by the end of investment.
- The applicant must have occupational skills, where specifically required by the national legislation.
- The applicants must present a technical project proposal or business plan proving economic viability (as defined in Annex 3) of the investment at the end of the realisation of the project.
- For investment for on-farm-irrigation systems, before submission of claim for payment, the recipient has to prove the appropriate license, authorisation, or concession for water use. Investments in on-farm irrigation must comply with Articles 38, 39, and paragraph 1/e of article 41 of Law no. 111/2012 "On the integrated management of water sources", as well as in the decision "On the adoption of special conditions, accompanying documents, validity deadline, application forms for issuing authorisations and permits, assessment and decision making procedures, as well as authorisation and permit templates for using of the water sources".
- Fruits and/ or vegetable propagation material and/or seedlings for multiannual plants must be certified according to the relevant national legislation in force.
- The investment projects must be compliant with the requirements of the management plans of nature or cultural heritage protected areas, if such are adopted for the territory on which supported investment is located.
- In cases, where local rural development strategies are adopted by MARDPW, the projects supported under this measure must be confirmed as being in line with those strategies by the competent local action group.
- The investments in following sectors are not eligible – retail trade, with the exception of shops specialised in sales of souvenirs and traditional crafts, or specialised shops for agricultural produce or processed products owned by farmers.
- The applicants must have fulfilled all obligations relating to the payment of taxes, including land tax, and social security (pension and health) contributions and must not be on the bad debtor list of ARDA;

- An applicant may not submit a new application under this measure before a final payment on previous grant contract.

8.2.3.9. Specific eligibility criteria

For on-farm-processing of agricultural products.

For nature and rural tourism sector, the investments in accommodation facilities are limited to up to 40 beds in total.

The investment in tourist accommodation is limited to construction and/or reconstruction of houses and buildings in a traditional style.

In case of investments in agricultural machinery, only tractors with a maximum power not exceeding 70 KW may be purchased. Only one tractor per recipient may be purchased in the whole programming period, with the exception of projects of co-operations of farmers for establishing machine rings. Out of the total amount of EU contribution allocated to this measure, a maximum of 20% can be spent on tractors.

In case of investment for renewable energy plants, this measure will support only projects with a capacity of production exceeding the annual self-consumption of the recipient.

8.2.3.10. Eligible expenditure

Eligible expenditure is limited to expenditures related to investments in tangible and intangible fixed assets specified in Section 8.1.3 point 1. To be eligible for support investments must comply with all provisions stated in Section 8.1.3.

Examples of eligible type of investments

1. Production of MAPs, mushrooms, honey, ornamental plants and snails:

- *MAPs*: purchasing of horticultural and farming equipment for the cultivation of MAPs, perennial plants and planting, facilities and equipment for storage/conditioning, drying and marketing of MAPs;
- *Honey*: equipment for production, management and maintenance of bee hives, construction of sheds and buildings for storage or processing of honey and other by-products;
- *Mushrooms*: Construction and/ or reconstruction of mushrooms cultivation facilities, including compost production; purchase of equipment for cultivation, storage and packaging.

2. On-farm processing and direct marketing of agricultural products (milk, meat, fruits and vegetables, olive, wine, etc.):

- Construction and/ or reconstruction of on-farm processing facilities and equipment for fruit and vegetable, dairy, meat, olive oil, wine, honey, etc.;
- Construction and/ or reconstruction of and purchase of equipment for selling points on farms for direct marketing of farm products.

3. Processing and marketing of wild or cultivated MAPs, mushrooms and honey:

- Construction and/ or reconstruction of collection centres for MAPs and mushrooms;
- Construction and/ or reconstruction of facilities and equipment for storage/conditioning, drying, processing and marketing of MAPs, mushrooms (drying machines, sorting equipment, ventilators and basic cleaning lines, packing equipment);
- Construction and/ or reconstruction of facilities and equipment for production of essential oils;

- Construction and/ or reconstruction of facilities and equipment for honey processing and packaging.

4. *Aquaculture:*

- Creation of new or extension of the production of existing aquaculture farms, including:
 - Equipment for increasing the efficiency of the production process, optimisation of feeding, fish feeder or feeding automation equipment, equipment for water re-circulation systems;
 - Construction and/ or reconstruction and purchasing of equipment for egg and fry production;
 - Equipment for increasing the quality and hygiene conditions for production and harvesting;
 - Waste management systems, equipment for purification of waters released from ponds and reservoirs and for monitoring the characteristics of the water quality parameters;
 - Installation of small cooling facilities for storing.

5. *Nature and rural tourism:*

- Construction and /or reconstruction including, conversion of traditional houses and buildings ,in traditional style for tourism activities – accommodation, catering, leisure, etc.;
- Construction and/ or reconstruction of facilities and equipment for sport, leisure and recreational activities, such as tourist camps, shelters, playgrounds, horse-riding, fishing on inland waters, trekking, rafting, hiking, mountain biking, play barns, etc.

6. *Services for rural population and business:*

- Private child care, care of elderly or disabled people, adult education and training, IT centres, etc.;
- Repair and maintenance of agricultural machinery, renting of agricultural machinery (“machinery rings”), electromechanical services, etc.;

7. *Handcrafts and manufacturing industry, such as:*

- Construction and/ or reconstruction and/or equipment facilities for traditional crafts (rugs, silverware, woodwork, stoneware, decorative fabrics, basketworks, wicker ware, folk costumes, statuettes from wood and alabaster, marble, and musical instruments, etc.), including services that enable customers to participate in craft activities;
- Manufacturing production in small scale, such as textile, wood processing, etc.

8. *Renewable energy production:*

- Construction and/ or / reconstruction of plants for renewable energy production (like bio diesel, biogas, wind, photovoltaic and others).

The eligible expenditure shall be further detailed in the 'list of eligible expenditure'.

8.2.3.11. Aid intensity and EU contribution rate

The minimum total eligible cost of the investment per project is EUR 10,000 and the maximum - EUR 400,000. One applicant may be granted more than one project, but the total eligible cost of the investments per recipient under this measure may not exceed EUR 600,000 for the programing period.

Aid intensity is up to 65% of the total eligible cost of the investment.

EU contribution rate is 75 % of the public aid.

8.2.3.12. Selection criteria

Criteria		Points
1	The investment is carried out in a mountain areas listed in Annex 5	15
2	Investments in renewable energy technologies	10
3	Applicant (agricultural holding) is certified for organic production according to the national law on organic farming	15
4	The applicant is a woman or a company that employs at least 30% of women	15
5	Applicant is not older than 40 years at the time of submission of an application.	15
6	The project involves the creation of new jobs based on the business plan	30
Total (maximum)		100

8.2.3.13. Indicators and targets

Indicator	Target 2020
Number of projects supported	150
Number of agricultural holdings/enterprises developing additional or diversified sources of income in rural areas	150
Number of recipients investing in renewable energy	20
Total investment in physical capital by agricultural holdings/enterprises supported (EUR)	22,500,000
Number of jobs created (gross)	350

8.2.3.14. Administrative procedure

The administrative procedure is described in Section 8.1.6.

8.2.3.15. Geographical scope of the measure

Investments have to be implemented in rural areas, as specified in section 8.1 and listed in Annex 2.

8.2.3.16. Other information specific to the measure (as defined in the measure fiche)

N/A

8.2.3.17. Indicative budget per measure

Year	Total eligible cost	Public aid						Private contribution	
		Total		EU contribution		National contribution		(EUR)	(%)
(EUR)	(EUR)	(%)	(EUR)	(%)	(EUR)	(%)	(EUR)		
2014	-	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-	-
2016	4,512,821	2,933,333	100%	2,200,000	75%	733,333	25%	1,579,487	35%
2017	4,512,821	2,933,333	100%	2,200,000	75%	733,333	25%	1,579,487	35%
2018	3,753,846	2,440,000	100%	1,830,000	75%	610,000	25%	1,313,846	35%
2019	5,128,205	3,333,333	100%	2,500,000	75%	833,333	25%	1,794,872	35%
2020	4,656,410	3,026,667	100%	2,270,000	75%	756,667	25%	1,629,744	35%
Total	22,564,103	14,666,667	100%	11,000,000	75%	3,666,667	25%	7,897,436	35%

8.2.4 Measure ‘Technical Assistance’

8.2.4.1. Title of the Measure

‘Technical Assistance’

8.2.4.2. Legal basis

- Article 2 (1) of IPA Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action;
- Article 27 (1) (9) of the Sectoral Agreement;
- Annex 4 of the Sectoral Agreement.

8.2.4.3 Rationale

Support under this measure is needed to ensure regular and effective monitoring and evaluation of the Programme, preparation or streamlining of implementation of measures, thus contributing to smooth and effective implementation of the Programme.

The actions under this measure are also needed for implementation and monitoring of activities related to provision of information, publicity and visibility.

The technical assistance actions are needed for supporting establishment and operation of the National rural development network activities and preparation for implementation of Leader approach.

8.2.4.4. General objectives, specific objectives

The aim of this measure is to assist in implementation and monitoring of the programme and its possible subsequent modifications. In support of this aim, the objectives include:

- Providing support for monitoring of the programme;
- Ensuring an adequate flow of information and publicity;
- Supporting studies, visits and seminars;
- Providing support for external expertise;
- Providing support for the evaluation of the programme;
- Providing support for the future implementation of a national rural development network.

8.2.4.5. Linkage to other IPARD measures in the programme

This measure supports implementation of all other measures of the Programme through planned actions on communication, monitoring and evaluation.

8.2.4.6. Linkage to national measures

N/A

8.2.4.7. Recipients

The recipient under this measure is the Managing Authority.

8.2.4.8. Common eligibility criteria

The measure will support operations that comply with the stated TA objectives.

Eligible expenditure is based on the real costs, which are linked to the implementation of the co-financed operation and must relate to payments effected by the recipient, supported by invoices or accounting documents of equivalent probative value.

The expenditure may also be based on flat rate amounts (such as per diem), in accordance with the terms and rates applied in the public sector in Albania for similar actions where no EU co-

financing is involved. All expenditure as regards experts and other participants will be limited to those from and going to beneficiary countries and the Member States.

All projects must be procured in accordance with the rules for external aid of the Commission contained in the Financial Regulation. For this purpose the application of PRAG could be adapted to the specificities of the country on the basis of derogation request approved by Commission.

For this measure, actions financed or foreseen to be financed within twinning covenants or other projects supported under other IPA components will not be eligible.

Technical assistance to support the setting up of management and control systems is eligible prior to the initial entrustment of budget implementation tasks, for expenditure incurred after 1 January 2014.

Eligible operations and expenditures shall be reported in the context of the annual report.

8.2.4.9. *Specific eligibility criteria (per sector)*

N/A

8.2.4.10. *Examples of eligible expenditure*

Under this measure, the following actions are eligible provided they are covered by the indicative technical assistance action plan:

- Expenditure on meetings of the IPARD II programme Monitoring Committee, including cost of all experts and other participants, where their presence is considered to be necessary to ensure the effective work of the committee;
- Other expenditure necessary to discharge responsibilities of the IPARD Monitoring Committee which falls under the following categories:
 - expert assistance to consider and review Programme baseline and indicators and development of information system;
 - expertise to assist or advise the Monitoring Committee concerning implementation and functioning of the monitoring arrangements;
 - expenditure associated with meetings and ancillary tasks of working groups;
 - seminars;
- Expenditure for information and publicity campaigns, including costs of printing and distribution, production of clips, short documentaries and their broadcasting, setting up and maintenance of Programme web-site;
- Cost of translation and interpretation, provided in response to requests by the Commission;
- Expenditure associated with visits and seminars. Each visit and seminar shall require the submission of a timely written report to the MC.
- Expenditure associated with "acquisition of skills" to prepare potential LAGs for the implementation of the measure "Implementation of local development strategies - LEADER approach";
- Expenditure associated with the preparation, or streamlining of implementation, of measures in the Programme to ensure their effectiveness, including those measures where application is foreseen at a later stage;
- Expenditure for Programme evaluations;
- Expenditure associated with the establishment and operation of the NRDN, including expenditure linked to participation in the European Network for Rural Development;
- Expenditure related to preparation for the programming period post 2020;

A level of salary support which takes into account remuneration levels on the labour market in order to retain staff and build/keep know-how in the administration. Introduction of this expenditure can only be done after prior approval of the Commission and may be limited in time.

The eligible expenditure shall be further detailed in the 'list of eligible expenditure'.

8.2.4.11. Aid intensity and EU contribution rate

Aid intensity expressed as the share of public support in the eligible expenditure is 100%.

Pre-financing may be provided from the national contribution, but is in no case considered as costs incurred to be reimbursed by the Commission.

EU contribution rate is 85 % of the public aid.

8.2.4.12. Indicators and targets

Indicator	Target 2020
Number of meetings of the IPARD II Monitoring Committee assisted	10
Number of Programme evaluation reports supported	2
Number of workshops, conferences, seminars	70
Number of studies on elaboration and implementation of Programme measures	10
Number of promotion materials for general information of all interested parties (leaflets, brochures etc.) (copies)	35 000
Number of rural networking actions supported	30
Number of potential LAGs supported	10

8.2.4.13. Administrative procedure

The Managing Authority shall each year draw up an indicative Action Plan for the operations envisaged under the Technical Assistance measure, which shall be submitted to the IPARD Monitoring Committee for agreement.

The contracts will be granted after following the appropriate external aid public procurement procedures and will respect the main Treaty principles such as: transparency, proportionality, equal treatment, non-discrimination and should ensure sound financial management (value for money).

8.2.4.14. Geographical scope of the measure

N/A

8.2.4.15. Other information specific to the measure (as defined in the measure fiche)

N/A

8.2.4.16. Indicative budget per measure

Year	Total eligible cost		EU contribution		National contribution	
	(EUR)	(%)	(EUR)	(%)	(EUR)	(%)
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	411,765	100%	350,000	85%	61,765	15%
2017	647,059	100%	550,000	85%	97,059	15%
2018	411,765	100%	350,000	85%	61,765	15%
2019	411,765	100%	350,000	85%	61,765	15%
2020	588,235	100%	500,000	85%	88,235	15%
Total	2,470,588	100%	2,100,000	85%	370,588	15%

9. NATIONAL RURAL DEVELOPMENT NETWORK

Albania has not yet formally established a National Rural Development Network (NRDN), although stakeholders in the area of rural development (NGOs and LAGs, established by different donors) have set up mechanisms for exchange of information and networking, i.e. organisation of workshops, annual conferences, and meetings at regional and national level.

The NRDN will be a framework open to all stakeholders that are active and willing to cooperate and get involved in rural and agricultural development.

The NRDN will have the objectives to:

- Increase the involvement of all relevant stakeholders in the implementation of rural development;
- Inform the broader public and potential recipients on rural development policy and funding opportunities;
- Raise awareness and knowledge of rural development stakeholders on rural development issues through information, training and networking;
- Transfer knowledge and good practices and experience on rural development;
- Foster innovation in agriculture, food production and forestry in rural areas;
- Inform and increase involvement on environment and climate issues particularly to support measures in these areas programmed through transfer of knowledge, advice and demonstration;
- Supporting the coordination of activities for preparing and implementing local rural development strategies;
- Facilitate inter-territorial and transnational co-operation;
- Facilitate networking for innovation of all relevant organisations active in rural development;
- Support participation in the activities of the European Rural Development Network.

The NRDN will establish following structures:

- Management Coordination Committee, representing the main rural actors (organisations representing the Programme target groups or third parties concerned by the measures' objectives) and the public administration;
- Secretariat of the NRDN, which will support the Management Coordination Committee and be in charge for the coordination of the NRDN activities;
- Thematic working groups - set up as temporary bodies and for specific purposes, according to the actual needs, working under the methodological guidance of the Secretariat.

In the beginning of the Programme implementation, a detailed Action Plan of the NRDN will be elaborated by the MA and approved by the MC. The Action Plan will elaborate:

- NRDN operational objectives;
- Organisational framework of the Network;
- Target groups;
- Core activities of the NRDN – including networking events, conference and meetings of NRDN members, organisation of thematic seminars and workshops, etc.;
- Financial resources allocated;
- Indicators for monitoring the NRDN performance.

The Action Plan may be updated in the course of Programme implementation and any significant changes are to be approved by the IPARD MC. Annual Implementation Plans are to be elaborated and approved by IPARD MC.

The establishment of NRDN will start immediately after the accreditation of the TA Measure. For the operations of the NRDN, a service provider will be selected, through tendering following

the procedures of the TA measure, which will plan and organise communication, set up and maintain website and databases, provide trainings, organise information events and networking activities, publications, organisation and dissemination of thematic surveys, etc. The operations of the NRDN will be funded by the TA measure.

The monitoring of the performance of the NRDN is a responsibility of the MA, which shall report on progress, results and impact with the Annual/Final implementation reports.

10. INFORMATION ON COMPLEMENTARITY OF IPARD WITH THE MEASURES FINANCED BY OTHER (NATIONAL OR INTERNATIONAL) SOURCES

10.1. Demarcation criteria of IPARD with support under other IPA policy areas

To ensure demarcation of IPARD II programme with support under other IPA policy areas clear demarcation criteria will be elaborated by the Operating structures in liaison with the Department of Development Programming, Financing and Foreign Aid of the Prime Minister's office under the overall co-ordination of NIPAC. The demarcation criteria will be consistent with:

- Indicative Strategy Paper for Albania 2014-2020, which defines IPA II priorities and objectives for each policy area;
- National Strategy for Development and Integration for the period 2014-2020 which provides strategic framework for all sector and cross-sector strategies;
- Inter-Sectoral Strategy for Agriculture and Rural Development;
- Other sectorial and cross-sector strategies.

The main demarcation criteria that will be applied after the start of implementation of the IPARD II programme are described below:

IPARD II programme measure/ type of assistance	Demarcation with other IPA Policy areas
Investments in agricultural holdings	Only IPARD II programme will support investments in agricultural holdings
Investment in processing and marketing of agricultural products	Only IPARD II programme will support investments in agricultural holdings in milk, meat, fruits and vegetables and wine sectors.
Investments in rural tourism SMEs	Demarcation will be established in the future programming of interventions in other IPA policy areas ensuring avoidance of overlapping of assistance.
Investments in renewable energy production	
Investments in other enterprises in rural areas	

The demarcation criteria will be reviewed and amended, where needed, after amendment of the IPARD II and other IPA programmes.

10.2. Complementarity of IPARD with other financial instruments

The IPARD II Programme responds to the priorities of the European Union Strategy for the Adriatic and Ionian Region (EUSAIR), which was adopted in 2014. The EUSAIR is a macro-

regional strategy, which covers four EU Member States (Croatia, Greece, Italy and Slovenia) and four non-member states (Albania, Bosnia and Herzegovina, Montenegro and Serbia). The general objective of the Strategy is to promote sustainable economic and social prosperity in the region through growth and jobs creation, and by improving its attractiveness, competitiveness and connectivity, while preserving the environment and ensuring healthy and balanced marine and coastal ecosystems. EUSAIR has four thematic pillars i) Blue Growth - innovative maritime and marine growth; ii) Connecting the region - transport and energy connectivity; iii) Environmental quality through cooperation at the level of the Region; iv) Sustainable tourism. The EUSAIR will mobilise and align existing EU and national funding instruments (including IPA) for each of the topics identified under the four pillars.

The Fourth pillar of the EUSAIR is coordinated by Croatia and Albania. The objective of this pillar is to develop the full potential of the Region in terms of innovative, sustainable, responsible quality tourism. Albanian IPARD II programme will contribute to the objectives of the Fourth pillar through support to nature and rural tourism in rural areas.

The International Financial Institutions (IFI) - European Investment Bank, European Bank for Reconstruction and Development, the Council of Europe Development Bank, World Bank, play a significant role for financing investments in improvement of infrastructure and private sectors development. The coherence and complementarity of the activities of the IFI with IPA programmes is ensured through various co-ordination mechanisms created by the Commission. DG NEAR put in place International Financial Institutions Advisory Group aiming to improve the coordination between the IFIs. The objective of the Group is to facilitate the development and upgrading of regional infrastructure in South East Europe in key sectors, such as energy, transport, environment, human development, employment and social protection, which requires large investments, and is essential for the sustainable development of the region and of the beneficiary countries.

The Western Balkans Investment Framework is another cooperation platform through which Western Balkan countries alongside the EU, the IFIs and bilateral donors can identify, prepare and implement priority socio-economic investments through the pooling of expertise and financial resources. These elaborated investment projects are selected based on criteria for importance for national or regional strategies, EU accession process and financial viability.

The EU programmes opened to third countries will also complement IPARD II programme interventions. LIFE Programme is the EU's financial instrument for the environment and climate action. The general objective of LIFE is to contribute to the implementation, updating and development of EU environmental and climate policy and legislation by co-financing projects with European added value. LIFE acts as a catalyst for changes in policy development and implementation by providing and disseminating solutions and best practices to achieve environmental and climate goals, and by promoting innovative environmental and climate change technologies. In that endeavour, the LIFE Programme should support the implementation of the General Union Environment Action Programme to 2020 "Living well, within the limits of our planet" as established by Decision of the European Parliament and of the Council ("7th Environment Action Programme").

The IPARD II programme will be complementary to donor funded projects, which are co-ordinated through the mechanisms of donors co-ordination. Joint German-Danish project for support to agriculture and rural economic development in disadvantaged mountainous areas (SARED), which is implemented in 2014-2018 period aims at development of value chains in six rural mountain regions: Shkodra, Kukes, Dibër, Korce, Berat and Elbasan. It addresses the four most important value chains in these regions, namely small livestock, fruit trees and nuts, medicinal and aromatic plants, and rural tourism. Project activities include technical assistance for strengthening of the selected value chains and support for on-farm and off-farm

diversification of economic activities, promotion of public private dialogue and investment support. Total budget of the project is EUR 13.6 million, of which EUR 6.5 million investment facility.

10.3. Demarcation criteria and complementarity of IPARD measures with national policy

Inter-Sectoral Strategy for Agriculture and Rural Development in Albania for the period 2014-2020 envisages gradual alignment of national policy instruments to the EU acquis. The national policy instruments will be designed and implemented in accordance with the following principles:

- New national support measures will be designed in accordance with the principles of the EU policy framework for the CAP, rural development and pre-accession policy for the period 2014-2020;
- National support measures inconsistent with similar EU support measures will be gradually phased out in line with the introduction of new measures, and no new national support measures will be introduced that are not in line with the CAP.

After the start of the IPARD II programme, the national measures will continue focusing on priorities not supported under the IPARD programme, such as rural infrastructure and basic services, irrigation, direct support.

The National Schemes for agri-food sector currently are programmed on an annual basis. After the start of the IPARD II programme following demarcation principles will be applied in the annual programming of the national schemes:

- National schemes will support sectors, that are not eligible under IPARD programme (example olives), or;
- If sectors eligible under IPARD II Programme are supported, national schemes will provide support to investments/target groups/regions not eligible under IPARD (for example, farms below the minimum threshold for IPARD, purchase of agricultural animals, urban areas);

If national schemes are designed for non-agricultural sectors supported under IPARD II programme, such as nature and rural tourism, renewable energies, clear provisions for avoidance of double financing will be made in the design of the schemes.

The IPARD Agency will be responsible for the cross-checking for double-financing between the IPARD II programme, other Union and national support schemes. Every project under the IPARD Programme, which may fall under the scope of the Union or other national support schemes, will be checked for possible double financing *before its approval* and before final payment.

11. DESCRIPTION OF THE OPERATING STRUCTURE, INCLUDING MONITORING AND EVALUATION

11.1. Description of the operating structure (Managing Authority and IPARD Agency) and their main functions

The **Operating Structure** is responsible for the management and implementation of the IPARD II programme in accordance with the principle of sound financial management. The Operating Structure designated for IPARD II programme consists of the following separate authorities operating in close cooperation:

- the *Managing Authority* is responsible for the management IPARD II programme and is in charge of programming, including selection of measures under each call for applications and their timing, publicity, coordination, monitoring, evaluation and reporting;
- the *IPA Rural Development Agency (IPARD Agency)* is in charge of publicity, selection of projects, authorisation, control and accounting of commitments and payments and execution of payments, debt management and internal audit.

The **Managing Authority (MA)** is the **Directorate for Programing and Evaluation of Rural Policy (DPERP)** within MARDWA, which is responsible for managing the IPARD II programme in an efficient, effective and correct manner within the scope of the responsibilities, defined in the Sectoral Agreement.

The formal designation of the Managing Authority was done by an Order No 108/16.04.2013 of MARDWA. The Director of the DPERP was designated as the Head of MA with an Order No 108/16.04.2013. The organ gram of the MA is attached in Annex 6 to the Programme.

Functions of Managing Authority and IPARD Agency specified in the Sectorial Agreement

General Functions	Specific Functions	IPARD Agency	Managing Authority
Managing functions	Selection of measures		✓
	Programme monitoring		✓
	Evaluation		✓
	Reporting	✓	✓
	Coordination		✓
Paying functions	Authorisation & control of commitments	✓	
	Authorisation & control of payments	✓	
	Execution of payments	✓	
	Accounting for commitment and payment	✓	
	Debt management	✓	
Implementing functions	Selection of projects	✓	
	Publicity	✓	✓
Audit functions	Internal audit	✓	

The MA has the following specific functions and responsibilities:

Selection of measures

- Drafting IPARD II programme and any amendments to it, including those requested by the Commission;
- Defining in the IPARD II programme the controllability and verifiability of the measures in cooperation with the IPARD Agency; regular review of controllability and verifiability;
- Selection of measures under each call for applications and their timing, the eligibility conditions and the financial allocation per measure, per call. These decisions shall be made in agreement with the IPARD Agency;
- Drafting each year an Action plan for the intended operations under the Technical assistance measure, which shall be submitted to the IPARD II MC for agreement.
- Drafting amendments to the IPARD II Programme to the Commission with a copy to NIPAC, after consultation with the IPARD Agency, and following agreement by the IPARD II Monitoring Committee (MC);
- Ensuring that the relevant authorities are informed of the need to make appropriate administrative changes when such changes are required following a decision by the Commission to amend the IPARD II programme;
- Ensuring that the appropriate national legal basis for IPARD implementation is in place and updated as necessary;

Programme monitoring

- Setting up a system to gather monitoring and context related data on progress of the IPARD II programme and conducting analysis of the collected data; as further detailed in Section 11.2.

Evaluation

- Organising the Programme evaluations to improve the quality, effectiveness and consistency of the assistance, as further detailed in Section 11.2, including preparation of Evaluation Plan, reporting to the IPARD II MC and to the Commission on the progress made in implementing this plan.

Publicity

- Drafting a coherent *Plan of visibility and communication* activities in consultation with the Commission and the IPARD II MC, and reporting on its implementation to IPARD II MC, IPA II MC and the Commission, as further detailed in Section 15.

Coordination

- Assisting the work of the IPARD II MC by providing the documents necessary for monitoring the quality and effectiveness of implementation of the IPARD II programme, as further detailed in Section 11.2.

Reporting

- Reporting on IPARD II implementation, by preparation in consultation with IPARD Agency, of Annual and Final implementation reports as further detailed in Section 11.2.

The **Agriculture and Rural Development Agency (ARDA)**, designated as **IPARD Agency** by an Order No 108/16.04.2013 of MARDWA, was established under the provisions of the *Law on Agriculture and Rural Development* (No 9817/22.10.2007) with Council of Ministers Decision (CoMD) No 1443/31.10.2008 and is an independent public body, operating under the direct responsibility of the Minister of MARDWA.

The organisational structure and staffing of IPARD Agency have been aligned with the requirements of the Sectoral Agreement. The organogram of the IPARD Agency is attached in Annex 6 to the Programme.

IPARD Agency is responsible for the implementation of the IPARD II programme in accordance with the principles of sound financial management. The IPARD Agency has the following specific functions and responsibilities:

Selection of projects

- Selecting of projects to be implemented in accordance with the criteria and procedures applicable to the IPARD II programme and complying with the relevant Union and National rules;
- Laying down contractual obligations with the recipients in written, incl. information on possible sanctions in the event of non-compliance with those obligations;

Publicity

- Making calls for applications and publicising terms and conditions for eligibility, upon consultation with the MA;
- Ensuring IPARD II programme publicity and visibility through: publication of list of final beneficiaries; informing recipients of the Union contribution to the projects; guaranteeing that adequate publicity is given by the recipients on Union co-financing for the respective projects (further detailed in Section 15);

Authorisation and control of commitments and payments

- Establish that the applications for approval of operations and subsequent amount to be paid are eligible for assistance claimed, through administrative and, where appropriate, on-the-spot controls, in particular those concerning the regularity and legality of the expenditure;

Execution of payments:

- Issuing of an instruction to pay the authorised amount to the claimant (or their assignee(s));

Accounting for commitment and payment:

- Recording of all commitments and payments in the separate books of accounts for IPARD II expenditure and the preparation of periodic summaries of expenditure, including the expenditure declarations to the European Commission. The books of account shall also record the assets financed by the IPARD II funds, in particular concerning un-cleared debtors;

Debt management

- Setting a system in place for the recognition of all amounts due and for the recording in a debtors' ledger of all such debts, including irregularities, prior to their receipt;

Internal audit

- Ensuring that regular specific activities are carried out to provide higher management with independent review of the subordinate systems;

Other

- Carrying out follow-up actions to ensure progress of projects being implemented;
- Reporting on progress in implementation of measures against indicators;
- Setting up, maintaining and regularly updating the Programme information system;

Irregularity reporting

- Ensuring irregularity reporting.

The roles, functions and division of responsibilities of the bodies of IPARD Operating structure are detailed in the Memorandum of Understanding of the MA and IPARD Agency, which sets out rules for co-ordination of the management and implementation of the IPARD Programme, including reporting and deadlines. The detailed rules for implementation of the designated responsibilities as well as administrative, accounting and internal control requirements are established in the Manuals of procedures of the MA and IPARD Agency.

11.2. Description of monitoring and evaluation systems, including the envisaged composition of the Monitoring Committee

Programme monitoring aims to ensure the effectiveness and the quality of the implementation of the IPARD II programme by providing timely and reliable information on progress in achievement of the Programme specific objectives.

The progress, efficiency and effectiveness of the IPARD II programme shall be measured by the indicators presented in the Programme for the baseline situation, inputs/financial execution, outputs and immediate results of the operations /Programme.

The data on monitoring indicators will be collected by the IPARD Agency and inserted into the Management Information System (MIS). The MIS contains data on each operation (submitted, assessed, selected for funding, as well as completed operations, incl. key characteristics of the recipient and the project), which are recorded and processed electronically by IPARD Agency.

MA will collect, aggregate and analyse information/ data on indicators, received from the IPARD Agency, report and provide for follow-up actions. Where necessary, the MA will recruit external expertise to fine tune the indicators and to assess the progress of the IPARD II programme.

The MA will report to IPARD II MC, the Commission, and other relevant bodies (NIPAC, NAO) on progress in utilisation of funds, outputs and results by measure and of the Programme as a whole as well as on actions needed for improving efficiency and effectiveness of the Programme. The monitoring data will be presented and analysed in the Annual /Final reports on implementation.

The evaluation aims to improving relevance, coherence, quality, efficiency, effectiveness, Union added value, consistency and synergy of the Programme with other policy areas.

IPARD II programme has been subject to ex-ante and ex-post evaluations. Interim evaluation will be carried out, if considered as appropriate by the Commission. Evaluations may be carried out at strategy, thematic, sectoral, and measure level at country or regional levels. They will conform to the evaluation methods developed by the Commission. The results of the ex-ante and the interim evaluations will be taken into account in the programming and implementation cycle.

The interim and ex-post evaluations shall examine the degree of utilisation of resources, the effectiveness and efficiency of the programming, its socio-economic impact and its impact on the defined objectives and priorities. They shall cover the goals of the IPARD II programme and aim to draw lessons concerning rural development policy. They shall identify the factors which contributed to the success or failure of the implementation of the IPARD II programme, including the sustainability of actions and identifications of best practices.

The MA, in consultation with the Commission, will prepare an Evaluation Plan for the whole programming period, presenting the evaluation activities which will be carried out in the different phases of the Programme implementation, no later than one year after the adoption of the IPARD II programme by the Commission.

The MA will report each year on the progress made in implementing of the Evaluation plan and outcomes of evaluation activities to the IPARD II MC and to the Commission, informing also Audit Authority. The MA will be responsible for following-up the recommendations provided in the evaluation reports and shall report on their implementation to IPARD II MC and the Commission.

In order to ensure a high quality of planning and execution of evaluation activities, an *Evaluation Group* will be established as part of the IPARD Monitoring Committee. The Head of MA will act as Evaluation Manager to the Group. The Evaluation Group will provide advice on planning and design of the evaluation activities, formulation of evaluation questions, and will assess the quality of the submitted evaluation reports.

The MA shall use independent expertise, selected via transparent and competitive procedure, for the execution of Programme evaluations through the TA measure.

To ensure accountability and transparency of operations, the evaluation reports will be publicly presented and published on the Programme website.

The IPARD II Programme *Monitoring Committee* will be established, after consultation with the NIPAC and the Commission, after adoption of the Programme.

IPARD II MC will periodically examine the Programme progress and its effectiveness, efficiency, quality, coherence, coordination of the Programme and compliance and consistency with the rural development and other relevant sector strategies. It may make proposals on corrective actions to ensure the achievement of the objectives and enhance the efficiency, effectiveness, impact and sustainability of the assistance.

The IPARD II MC shall be established by an Order of the Minister of MARDWA and be composed of representatives from relevant public authorities and bodies, economic, social and environmental partners and chaired by the Minister of MARDWA. Members will be selected among the organisations, consulted during Programme preparation. Representatives of the Commission, NIPAC and NAO, IPARD OS will participate in the work of the IPARD II MC in an advisory role without voting right. Representatives of international organisations, including international financial institutions, bilateral donors, banking sector, academia and other organisations, relevant to the IPARD II programme may also be invited. The list of members of the MC will be published on the Programme website.

IPARD II MC shall draw up and approve in consultation with OS, NIPAC and the Commission its Rules of Procedures, which shall be adopted at the first MC meeting.

The IPARD II MC shall meet at least twice a year; ad hoc meetings may also be convened, as well as written procedures followed. Operational conclusions, including any recommendations, will be drawn at the end of the MC meetings. These conclusions shall be subject to adequate follow-up and a review in the following committee meetings and shall be the basis for reporting to the IPA Monitoring Committee.

The MC may set up Working Groups (WG) on specific issues per measure. These WGs shall consist of MC members or invited experts, as appropriate.

The IPARD II MC shall have the following responsibilities:

- *examine* the progress and results of IPARD II programme, in particular the achievement of the targets set for the different measures and the progress on utilisation of the financial allocations to those measures. In this regard, the MA will ensure that all relevant information in relation to the progress of measures is made available to the MC and the NIPAC;
- *periodically review* progress made towards achieving the objectives set out in the IPARD II programme, review information on any sectors or measures where difficulties are experienced and information on the results of verifications carried out;

- *consider and approve* the Annual/Final implementation reports;
- *examine* the activities and outputs related to the Programme Evaluation, including Evaluation plan and quality and recommendations of evaluation reports;
- *consider and approve*, where appropriate, any proposals drawn up by the MA for Programme amendment, before their submission to the Commission with a copy to NIPAC;
- *propose* to the MA for submission to the Commission with a copy to NIPAC and NAO, after consultation with the MA and the IPARD Agency, amendments or reviews of the IPARD II programme to ensure the achievements of the Programme's objectives and enhance the efficiency of the assistance provided;
- *consider and approve* indicative annual Technical assistance action plan, including the indicative amounts for information purposes;
- *consider and approve* the Plan of visibility and communication activities and its updates;
- *report* to the IPA MC.

The MA will act as a Secretariat to the IPARD II MC and assist its work by providing logistical support, information and follow-up on its decisions.

The work of the IPARD II MC will be supported through the TA measure.

The MA will report on the progress of IPARD II programme implementation in the Annual and Final implementation reports.

The MA will prepare, in consultation with the IPARD Agency, annual reports on the implementation of the IPARD II. All annual implementation reports will be drafted in line with the Commission Guidelines and will respect all provisions of the Sectoral Agreement. It will present and discuss:

- *Changes in the context* of relevance to the implementation of the IPARD II programme, in particular, the main socio-economic trends, changes in national, regional or sectoral policies and, where applicable, their implications;
- Progress in *financial execution* - financial commitments and expenditure by measure;
- The *progress in the implementation of priorities and measures* in relation to the attainment of the objectives of the IPARD II programme by reference to the financial data, common and programme-specific indicators and quantified target values, including changes in the value of result indicators and, if available, the results of completed evaluations and in-depth surveys;
- Progress in implementation of the *Evaluation plan activities*;
- Progress in implementation of the *Plan for visibility and communication*;
- *Problems encountered and corrective measures* undertaken by MA, the IPARD Agency and the IPARD II MC, in particular:
 - a summary of any significant problems encountered in implementing the IPARD II programme and any action taken;
 - a summary of the results of the controls carried out per measure and of the irregularities detected;
- Use made of *technical assistance*;
- Steps taken to *involve local bodies*;
- *Complementarity and co-ordination* with national policies and other Union policies and financial instruments.

The Annual implementation report will include tables with monitoring indicators and financial tables.

The Annual implementation reports will be submitted by 30 June each subsequent year following a full calendar year of implementation. The Final implementation report will be submitted at the latest six months after the final date of eligibility of expenditure under the IPARD II programme.

12. SUMMARY DESCRIPTION OF MANAGEMENT AND CONTROL STRUCTURE

The functions and responsibilities of authorities and bodies, which are responsible for the management and control system (MCS) of IPA II assistance, are presented below.

National IPA Coordinator

The *National IPA Coordinator* (NIPAC) has an overall responsibility for the strategic planning, coordination of programming, monitoring of implementation, evaluation and reporting of IPA II assistance. The Minister in charge for European Integration acts as the National IPA Coordinator (NIPAC) for Albania. The NIPAC's main responsibilities are as follows:

- Coordination of the overall IPA II programming and implementation, ensuring coherence with CSP, sectoral and national priorities as well as with the relevant macro-regional and sea basin strategies.
- Coordination with line ministries and other relevant institutions as well as with other donors and a close link between the use of IPA II assistance and the general accession process;
- Monitoring and reporting on progress and achievement of objectives of the IPA II assistance.

The NIPAC has to ensure that the objectives set out in the actions or programmes for which budget implementation tasks have been entrusted are appropriately addressed during the implementation of IPA II assistance.

National Authorising Officer

The National Authorising Officer (NAO) has an overall responsibility for the financial management of EU funds, legality and regularity of expenditures, effective functioning of the internal control system of IPARD II and effective and proportionate anti-fraud measures. The NAO acts as the sole interlocutor with the Commission for all questions relating to IPARD II as regards the distribution of European Union texts and guidelines relating to the management and control system and to any other bodies responsible for their implementation, as well as their harmonised application, the request for being entrusted with budget implementation tasks and the availability to the Commission of a full record of accounting information required for statistical and control purposes.

The NAO is a high ranking official in the Ministry of Finance - Vice Minister of the Ministry of Finance. The NAO has established a management structure, which is composed of National Fund and NAO Support Office.

The **National Fund** (NF) is accountable to NAO and is in charge of the management of IPARD II accounts and financial operations. The National Fund (NF) acts as a central treasury body in the Ministry of Finance. The NF will implement the following main functions related to IPARD II management and control:

Management of IPA II accounts and financial operations with the objective to ensure a smooth financial management, including recording of activities, transferring of funds and making financial adjustments when necessary.

Treasury – organise bank accounts, requesting funds from Commission, verifying the existence and correctness of the cofinancing elements, authorising the transfer of IPARD II funds from the Commission to the IPARD Agency or to the recipients; financial communication to the Commission, which includes the quarterly payment applications and annual declarations.

Accounting of commitments and payments – keeping accurate, complete and reliable accounting records for each action/activity/operation and which supports all the data required for drawing up payment requests, annual financial reports or statements.

Debt management – make financial adjustments required in connection with irregularities and recover the Union contribution paid to the recipient in accordance with national recovery procedures.

The **NAO Support Office** has the responsibility to provide assurance on the effective functioning of the internal control system through continuous check of its good performance, including provision of follow-up of audit findings and detected irregularities. NAO Support Office is a separate structure in the Ministry of Finance, at a sector level who reports directly to the NAO.

The NAO Support Office will assist NAO in its responsibilities for submitting to the Commission a request for being entrusted with budget implementation tasks, after ensuring that the management structure and OS satisfy the requirements set in the FWA and Sectoral Agreement. NAO support office will continuously monitor the performance of the MCS and in case of weaknesses or deficiencies will take appropriate safeguard measures, informing the Commission without delay.

The NAO Support Office will assesses, before approval by NAO, all changes in the MCS and will notify the Commission of any substantial change concerning the MCS for examination and approval in advance of their implementation. It will coordinate, whenever relevant, the preparation of consolidated action plans addressing any outstanding weaknesses detected in the MCS. It will provide follow-up of the findings of audit reports from the Audit Authority. NAO Support Office will draft management declarations that will be submitted by the NAO to the Commission.

Audit Authority

The Audit Authority (AA) is responsible for carrying out audits on the management and control system(s), on actions, transactions and on the annual accounts in line with the internationally accepted auditing standards and preparing annual and final audit opinions on the statements of expenditure. The Agency for Audit of European Union Programme Implementation System, which was established in 2009 with the Council of Ministers Decision No 1020, dated 14.10.2009, will act as the AA for IPARD. The Agency is an operationally independent institution of all actors involved in the management and implementation of IPA assistance.

The NIPAC, NAO, AA, OS are designated with the CoMD No. 846 dated 21/11/2012 for the management and control of IPARD I. With the ratification of the IPA II Framework Agreement between the Government of Albania and European Commission, a new council of Minister's decision shall be adopted in order to regulate the relations among structures and authorities for the IPARD II Implementation. Such CoMD shall be proposed by the Ministry of Finance and will be consulted with the Ministry of European Integration and MARDWA.

The designation of all relevant authorities

Authority Type	Name of the authority/body, department or unit	Head of the authority/body (position or post)	Address	Telephone	Email
National IPA Coordinator	Ministry of European Integration	Minister	Papa Gjon Pali II St, No. 3, 8302 Tirana		
National Authorising Officer	Ministry of Finance	Deputy minister	Blv. Dëshmorët e Kombit, Nr.3, Tiranë		
Audit Authority	Agency for the Audit of the European Union Programs Implementation System	Head of Audit Authority	Rruga Elbasanit, Godina e ish-trikotazhit, kati 4 Tirana		
Managing Authority	MARDWA	Head MA	Sheshi Skenderbej Nr 2, Tirana		
IPARD Agency	Agency for Agriculture and Rural Development	Director	Ruga Muhamet Gjollështa Nr56		

13. RESULTS OF CONSULTATIONS ON PROGRAMMING AND PROVISIONS TO INVOLVE RELEVANT AUTHORITIES AND BODIES AS WELL AS APPROPRIATE ECONOMIC, SOCIAL AND ENVIRONMENTAL PARTNERS

13.1. Provision adopted for associating the relevant authorities, bodies and partners

Albania has accumulated significant experience in the application of the partnership principle in the national strategic policy formulation, involving government, civil society and private sector stakeholders at both national and local levels. The partnership was widely applied in the preparation of the “Inter-sectoral strategy for agriculture and rural development in Albania”, as well as in preparation of the IPARD II programme sector studies. Relevant stakeholders (competent regional and local and other public authorities, economic and social partners, NGOs) will be involved in all stages of IPARD II programme implementation, monitoring and evaluation. The assistance under the IPARD II programme will be implemented in close consultation with the Commission services.

In programming the consultation process has been carried out in two stages.

The *first stage* was carried out in 2013-2014 and included consultations with all relevant partners on identification of main challenges and opportunities, needs and priorities for agriculture and rural development in Albania. In the process of the preparation of the Inter-sectoral strategy for agriculture and rural development, individual consultations, working group meetings and wider forums were carried out. At this stage sectors eligible under IPARD sectors were selected and in-depth studies were carried out or updated, identifying strengths, weaknesses, opportunities and threats and development needs of the selected sectors. The results of these consultations and in-depth studies were used for the drafting of the IPARD II programme measures.

The *second stage* involved consultation on the programme priorities, eligibility criteria and allocation of the budget. It was carried out in the period November 2014 – January 2015 (see Annex 7). The results of the consultations were used to fine-tune the Programme.

13.2 Designation of the partners consulted - summary

The following groups of policy stakeholders have been identified for inclusion in different stages of the IPARD II Programme preparation and implementation:

1. *Public authorities and bodies*, in order to ensure a good intra and inter-ministerial coordination:

- MARDWA sectoral directorates, veterinary and food safety authorities, extension services;
- Line Ministries – Ministry of European Integration, Ministry of Finance, Ministry of Transport and Infrastructure, Ministry of Urban and Tourism Development, Ministry of Economic, Trade and Entrepreneurship Development, and other Ministries, responsible for the respective IPA policy areas.

1. *Economic, social and environmental partners*:

- *Associations and Non-Governmental organisations* in the in the field of agriculture and rural development, Branch associations in food processing industry, Albanian Tourism Association, Albanian Women Association, Union of Farmers Associations in Albania, etc.
- *Farmers and industry representatives*;
- *Regional and local authorities – represented by the Association of Albanian Municipalities*.

2. *Bilateral and multilateral donor organisations*, such as the World Bank, UNDP, USAID, GIZ, Italian Development Cooperation Office, DANIDA, etc.

3. *Other partners*, such as members of commercial banks and micro-finance institutions, academic and research institutions, etc.

Some of the non-governmental organisations, which participated in the consultation process, are listed below:

Name of organisation /institution	Competence/Expertise	Name of the contact person
Agritoursim Mrizi i Zanave	Agriculture	Altin Prenga
Agro-Koni Association	Agriculture	Ruzhdi Koni
Albanian Agribusiness Council (KASH)	Agriculture	Gjon Gaspri
Apple farms, cows, guesthouse planned	Agriculture	Vehip Salkurti
Association AgriNet	Agriculture and rural development	Tomi Pikuli
Association for reciprocal cooperation	Agriculture	Saimir Biti
Association of been production Korca	Agriculture	Agim Veli
Farmer Cooperative, Kemishtaj	Agriculture	Stavri Gjini
Federation of Myzeqeja farmers (FMF)	Agriculture	Andon Rrapushi
Horticulture Albanian Businessmen Association	Agriculture	Ristan Janku
Livestock Entrepreneurs Association of Albania (LEAA)	Agriculture	Valbona Ylli
Albanian Dairy and Meat Association (ADAMA)	Dairy and meat processing industries	Merita Uruci

Name of organisation /institution	Competence/Expertise	Name of the contact person
Union of Chambers of Commerce and Industry	Business and commerce	Nikolin Jaka
Albanian Savings & Credit Union	Micro-finance	Zana Konini
Foundation Partnership for Development	Regional and local development	Tom Preku
Institute for democracy and mediation	Regional and local development	Sotiraq Hroni
Mountain areas development agency	Regional and local development	Hafuz Domi
Oxfam GB	Regional and local development	Geron Kamberi
Rural forum of Shkoder	Local development	Alfred Haxhari
Albanian Foundation for Training	Training and education	Fatos Fico
Faculty of Agriculture and Environment	Science and education	Tolkli Thomai Ndoc Faslia Fatbardh Sallaku
Faculty of Biotechnology and food	Science and education	GaniMoka RenataKongoli
Faculty of Economy and Agribusiness	Science and education	MyslymOsmani DriniImami EdvinZhllima Etleva Dashi
Faculty of Forest Science	Science and education	ArsenProko
Faculty of Medical Veterinary	Science and education	Ylli Bicoku PetritDobi

Public authorities and bodies:

Name of institution	Name of the Contact Person
Albanian Development Fund	Benet Beci
Food Safety and Veterinary Institute	Vitor Malutaj
Institute for Nature Conservation in Albania	Genti Kromidha, Executive Director
Ministry of Economy Trade and Energy	Bashkim Sykja, Director of Competitiveness Policy Department
Ministry of Environment, Water and Forest Administration	Arsen Proko, Directorate of Pasture and Forest
Ministry of European Integration	Roza Dedja, Expert of NIPAC sector, Department of EU assistance
Ministry of Finance	Jola Himçi, National Authorising Officer
Ministry of Public Works and Transport of Albania	Arjan Budo, Head of Road transport Policies in Directory of Transport Policies
Ministry of Urban Development and Tourism	Sonia Popa, General Director of Tourism
National Food Authority	Afrim Baka, General Director
Prime Minister's Office/ Department of Development Programming, Financing and External Assistance	Josif Gjani, Coordinator - Finance Programming Unit/PMO
State Agency for Seeds and Seedlings	Petrit Topi, Executive Director

13.3. Results of consultations – summary

The results of consultations are summarised in Annex 7.

14. THE RESULTS AND RECOMMENDATIONS OF THE EX-ANTE EVALUATION OF THE PROGRAMME

14.1. Description of the process

The ex-ante evaluation was carried in the period October-December 2014 by AETS and CARDNO Consortium. The evaluation process had five phases:

- Desk research;
- Data collection mission to Albania (personal and group interviews with representatives of relevant institutions, organisations and stakeholders);
- Analysis and reporting;
- Presentation of conclusions and recommendations and discussion of the implementation of recommendations with the MARDWA and IPARD OS.
- Preparation of *ex-ante* evaluation report.

The ex-ante evaluation is prepared with reference to the Guidelines for ex-ante evaluations of Instrument for IPARD II programmes, prepared by the Directorate General for Agriculture and Rural Development (DG Agri), February 2014, supplemented with ex-ante guidelines for RDPs under the CAP prepared by DG Agri in 2013.

14.2. Overview of the recommendations

The ex-ante evaluators reported that the programme and its planned interventions are both relevant to and in line with the needs of the sectors concerned. The combined support provided to the sectors in order to a) strengthen their competitiveness and b) meet EU standards, is important to the development of the professional and commercial sub-sectors and will contribute to the increased professionalism that is required of future markets. The estimated expected impacts of the programme will contribute to economic development in the country and in rural areas in particular.

Main recommendations of the ex-ante report are given below:

Overview of the recommendations

Date	Topic	Recommendation	How recommendation has been addressed, or justification as to why not taken into account
<i>SWOT analysis and needs assessment</i>			
28/11/2014	Use of context indicators	Use the context indicators as a structuring tool in the situational analysis. Fill in all indicators if possible and cross-check the indicators being used now.	Accepted. The information on missing context indicators was added, where possible.
28/11/2014	SWOT	The SWOT tables are well prepared and would work better as annexes. It is recommended to instead prepare a 1-page synthesis of the SWOT outlining the overall strategic orientation derived from it.	Accepted. The synthesis of the SWOT has been added.
<i>Construction of the intervention logic</i>			

Date	Topic	Recommendation	How recommendation has been addressed, or justification as to why not taken into account
28/11/2014	Stages 1 and 2 reconsidered	Reconsider the idea of an IPARD II programme in 2 stages. There is urgent need in Albania to strengthen the knowledge level of the sectors and advisory services can be a useful tool in this respect. The launch will take place in 2017 and there is enough time to prepare all relevant measures by this time.	Not accepted. Simultaneous start of all measures will put a significant burden on PA to prepare for entrusting of budget implementation tasks. The programme is designed under the assumption of start of implementation in 2016. Measure 'Advisory services' is scheduled to start in 2016 as well. Measure 'Implementation of local development strategies – LEADER approach' needs at least 1 year for capacity building of potential LAGs and selection, which will be funded under TA measure, after its accreditation. Thus, it cannot start in the same period as the Programme.
28/11/2014	Summary of intervention logic	Prepare a revised summary of the intervention logic covering all levels from inputs, via outputs to results and impacts.	Not accepted. Section 6.4 of the Programme is prepared according to the IPARD II Programming guidelines, using all relevant indicators.
<i>Establishment of targets and distribution of financial allocations</i>			
28/11/2014	Financial plan	The text includes no explanation of how the balance is achieved in the financial plan or of how the distribution of funds relates to needs and targets. The rationale behind the distribution of funds among measures should be described and the justifications made transparent.	Accepted. Justification is given in Section 6.2
28/11/2014	Targets	Quantify all targets to the extent possible using the estimates presented in this report.	Not accepted. All targets are quantified in the Programme.
<i>Programme implementation, monitoring, evaluation and financial arrangements</i>			
28/11/2014	Measure design	The competence level in agriculture and food processing is generally considered to be low and investment support is needed to increase production capacity, productivity and product quality. However, knowledge transfer must form part of the support in order to make the investments sustainable. Consider making investment support a condition of the appropriate training of recipients.	Not accepted. The MA will co-operate with all relevant training institutions and advisory services to ensuring access to training of potential applicants and recipients. However, the participation in training will not be made mandatory for recipients of investment support to avoid risk of errors and delays in implementation of projects.

Date	Topic	Recommendation	How recommendation has been addressed, or justification as to why not taken into account
28/11/2014	Measure design	In order to define demarcations with other support programmes and ensure that investment support targets commercial farms and enterprises, consider increasing the minimum investment support thresholds for the selected measures and adapting the minimum production capacities accordingly.	Accepted. The minimum thresholds were increased.
28/11/2014	MA	Strengthen the MA at MARDWA and the capacity of staff (in terms of both number and competence).	Accepted. Additional capacity building actions have been planned. Update of the workload analysis will be carried out and number of staff aligned accordingly.
28/11/2014	PA	Update the WLA for PA and consider how to increase the effectiveness of procedures through TA.	Accepted. Update of the workload analysis will be carried out. The effectiveness of the procedures will be reviewed and, where feasible and in line with the Sectoral agreement, they will be simplified.
28/11/2014	M&E	Rethink the M&E system and improve the IT system in order to enable coverage of all relevant data by an enhanced M&E system.	Accepted. The data needed for the M&E will be specified and the existing system will be adjusted before the start of implementation of measures.
28/11/2014	Environmental measures	In order to strengthen the combined efforts of MARDWA and the Ministry of the Environment regarding the environment and nature protection, it is recommended to establish a common technical working group to a) coordinate and enhance the enforcement of existing regulations through controls, inspections etc., and b) prepare for the development and implementation of agri-environment-climate measures under IPARD II from 2017.	Accepted. TWG is foreseen to be established in 2015 and it will facilitate the preparation of ‘Agri-environment climate and organic farming measures’.

Date	Topic	Recommendation	How recommendation has been addressed, or justification as to why not taken into account
28/11/2014	GAEP	Develop guidelines for Good Agricultural and Environmental Practice and ensure that they are disseminated to the agricultural sector. Training of advisory services and farmers in the practical use of these guidelines should be included in the package in order to contribute to the improved management of resources in the agricultural and food sectors.	Accepted. Guidelines for Good Agricultural and Environmental Practice will be developed and training will be organised.

The complete ex-ante evaluation report is given in Annex 8.

15. COMMUNICATION, VISIBILITY AND TRANSPARENCY IN ACCORDANCE WITH IPA LEGISLATION

15.1. Actions foreseen to inform potential beneficiaries, professional organisations, economic, social and environmental partners, bodies involved in promoting equality between men and women and NGOs about possibilities offered by the programme and rules of gaining access to funding

The Operating Structure of IPARD II Programme will have the responsibility of ensuring effective and transparent communication and visibility of the Programme. Visibility and communication activities will aim at:

- Demonstrating contribution of the supported projects to the IPARD II programme objectives;
- Strengthening general public awareness as well as support of actions financed;
- Highlighting to the relevant target audiences the added value and impact of the Union programmes and actions.
- Promoting transparency and accountability on the use of funds.

The MA will be responsible for planning, co-ordinating, monitoring and reporting on communication and visibility actions. It will draft, in consultation with the Commission and IPARD II MC, *Plan of visibility and communication*. The plan will cover the whole period of the IPARD II programme and will be implemented by an annual list of actions. The effectiveness of the Plan implementation will be monitored and activities and results will be reported to IPARD II MC, IPA II MC and the Commission in the Annual/Final implementation reports. At the meetings of the IPARD II MC the chairperson will report on progress in implementing the information and publicity activities and provide the Committee members with examples of such activities.

The *Plan of visibility and communication* will set out:

- the aims and target groups;
- the content and strategy of the communication and information measures;
- its indicative budget;

- the administrative departments or bodies responsible for implementation;
- the criteria to be used to evaluate the results and impact of the information and publicity measures in terms of transparency, awareness of the IPARD II programme and the role played by the Union.

The IPARD Agency will conduct information campaign to inform potential applicants, professional organisations, economic, social and environmental partners, and relevant NGOs on:

- funding opportunities and launching of calls for applications;
- eligibility and selection criteria;
- administrative procedures to be followed;
- procedures for examining applications and the time period involved;
- contacts at national/local level, to address questions on eligibility and selection/award criteria, application documents and the preparation of the application package.

The information campaign for potential applicants will be carried out through:

- Setting up and maintaining of single Programme website, which will publish IPARD II Programme, information about the timing of implementation of programming and any related public consultation processes, National Rules for Implementation of the Measures, guidelines, calls for proposals, and other relevant information for potential beneficiaries;
- Organising of information events, seminars and trainings at national and regional level;
- Preparation of brochures, leaflets with information on funding opportunities, eligibility, application process, etc.;
- Advertisement in the printed press and TV/radio advertising.

15.2 Actions foreseen to inform the recipients of the EU contribution

The recipients will be informed on EU funding through information measures and clear indication of the EU contribution in the Grant Contract.

The Grant Contract will include clear provisions, stipulating the responsibility of the recipients for publicity and visibility, and information that the list of recipients will be widely published by the IPARD Agency.

The IPARD agency will inform recipients that acceptance of funding is also an acceptance of their inclusion in the list of recipients published.

15.3. Actions to inform the general public about the role of EU in the programmes and the results thereof

The OS will inform the general public about IPARD II Programme, its main achievements and results and the role of EU, using various tools, including:

- Organising a major information activity publicising the launch of the Programme;
- Organising one major information activity a year;
- Displaying the Union logo at the premises of both the MA and the IPARD agency;

- Preparing and publishing image and logo of the Programme to make it distinguished and recognisable to the general public;
- Publishing on the Programme website: Annual/Final implementation reports, Minutes of IPARD Monitoring Committee meetings, evaluations, and examples of successful projects.

The publicity and visibility activities will include appropriate channels for circulating information in order to ensure transparency for the various potential partners and beneficiaries, particularly small and medium-sized businesses, recipients and partners in rural area.

Recipients will have obligations to inform general public on EU contribution for the operation, which will be stated in the Grant Contract. Detailed Guidelines on visibility formats will be prepared and distributed to recipients aligned with EU Guide on Publicity and Visibility and designed Programme logo. These guidelines will include detailed instructions on formats: billboards erected on site and permanent commemorative plaques for infrastructure projects, promotional materials, posters, press releases, etc. The Guidelines will be distributed to recipients with the signature of the contract.

The IPARD Agency will publish and maintain regularly (at least every six months) the list of the operations and recipients of Union funds containing minimum information set out in the Sectoral Agreement with due observance of the requirements of protection of personal data.

The publication will be available in a spreadsheet data format, which allows data to be sorted, searched, extracted, compared and easily published on the internet, for instance in CSV or XML format. The list of operations shall be accessible through the single Programme website.

16. EQUALITY BETWEEN MEN AND WOMEN AND NON DISCRIMINATION PROMOTED AT VARIOUS STAGES OF PROGRAMME (DESIGN, IMPLEMENTATION, MONITORING AND EVALUATION)

16.1. Description of how equality between men and women will be promoted at various stages of programme (design, implementation, monitoring and evaluation)

In line with the EC Aide-Mémoire on Gender Issues (2007-2013 and EC), and the national legislation on equal opportunities and non-discrimination, the MA will ensure that gender equality and non-discrimination are respected in programming, implementation, monitoring and evaluation of the IPARD II Programme by taking into consideration the following principles:

- Baseline situation describes the socio-economic situation using gender disaggregated data, where relevant;
- The Programme Strategy respects gender equality and the integration of gender perspective;
- Selection criteria will give priority to projects submitted by women, where relevant;
- Consultations on draft Programme involved bodies promoting gender equality;
- The information and publicity actions will target equal participation of women and men. The MA will assure that printed materials and events do not discriminate/ put barriers to participation of women and people with disabilities;
- Organisations representing gender equality and non-discrimination will be invited to IPARD II MC;
- Trainings will be organised to build capacity of OS on gender mainstreaming, especially in projects implemented in rural area;
- All monitoring and evaluation indicators will be disaggregated by gender, where relevant. Annual/ Final implementation reports and evaluation reports will include a section on gender equality and will examine Programme effect on gender equality.

Recipients will be informed on their obligations to integrate in projects gender perspective and principle of non-discrimination. MA will select and publicise cases of successful projects, implemented in women-managed holdings and companies.

16.2. Description of how any discrimination based on sex, race, origin, religion, age, sexual orientation, is prevented during various stages of programme implementation

Albanian *Law on the Protection Against Discrimination* No 10221/4.02.2010, introduces the equality principle in relation to the gender, race, colour, ethnicity, language, gender identity, sexual orientation, political, religious or philosophical affiliation, economic, education and social situation, pregnancy, parental connection/responsibility, age, family or marital status, civil status, residence, health conditions, disability, relation to a special grouping and in relation to any other reason. IPARD II Programme respects all principals and dispositions of this law at all stages of implementation.

The MA and the IPARD Agency Codes of Ethic include statements on equal opportunities and non-discrimination. Trainings for the OS will build capacity of staff on the anti-discrimination policy and effective approaches for integration of ethnic minorities will be organised.

Programme implementation will not tolerate any discrimination towards applicants based on religion, ethnicity, sex or physical disability and will reflect in the Annual/Final reports actions addressing these issues. NGOs representing minority groups, people with disabilities or other vulnerable groups will be invited to Programme publicity and training events to become more aware on Programme opportunities and be enabled to support their members/constituencies. Recipients will be informed on obligations to non-discriminate and foresee relevant approach to integrating minorities/persons with specific needs.

17. TECHNICAL AND ADVISORY SERVICES

The recipients will be supported in applications and implementation to the Programme through:

- Public Extension Service and the Agriculture Technology Transfer Centres which avail with structures at both central and regional level;
- Business Chambers and professional associations;
- Private Consultancy Companies;
- NGOs.

The Extension Services and private consultancies companies' capacities were enhanced during the implementation of IPARD-like Grant Scheme and they supported farmers and processing companies with information/clarifications on the eligibility criteria and the application process and preparation of the application package (private consultants). However, the fact that the rejection rate of submitted applications was high due to major omissions in application package requires further capacity building to ensure effective assistance to potential applicants, especially small farmers.

Special trainings and information events will be focused also on the Business Chambers, professional associations and NGOs. These bodies avail with staff knowledgeable on good practices and innovative solutions (esp. in the area of cattle breeding, organic farming, community development initiatives, etc.) as well as on project development/preparation. They need information and knowledge on IPARD II programme rules and procedures in order to be effective in promoting of funding opportunities and assisting potential applicants.

The MA in the *Plan of visibility and communication* will foresee regular organisation of trainings and information seminars for the above described target groups on: Programme rules and procedures, application process/documentation to develop/strengthen their capacities in order to ensure sufficiently trained and prepared staff to provide advice and information to potential beneficiaries. Training and capacity building actions will put special attention to availability/improving access to information and expertise in the remote rural area.

The measure ‘Advisory Services’ is planned to be implemented and after its elaboration and adoption in the Programme, the selected advisory service providers will support potential applicants to identify and plan necessary economic and environmental farm improvements and to prepare applications and payment claims.

The IPARD agency will provide answers to questions of potential applicants on eligibility and selection criteria and application process, respecting the principle of equal treatment of applicants. The list of frequently asked questions will be prepared and published on the Programme website and will be regularly updated.

User-friendly Guidelines for the implementation of the measures will be developed by the MA, with practical examples and “lessons learned”. The MA in cooperation with the IPARD Agency will prepare a booklet on most frequent mistakes in the application and payment process and distribute on the Programme website as a tool for improving the quality for applications and payment claims.

ANNEX 1. NATIONAL MINIMUM STANDARDS

MEASURE: INVESTMENTS IN PHYSICAL ASSETS OF AGRICULTURAL HOLDINGS

A. Establishment, registration and licensing of business entities

1. Law no. 9901/2008 "On entrepreneurs and commercial enterprises", Official Journal no.60/2008, (as amended by Law no. 10475/2011 and Law no.129/2014);
2. Law no. 9723/2007, "On the National Registration Center", Official Journal no. 60/2007, (as amended by Law no. 9916/2008 and Law no. 92/2012);
 - 2/1. Decision of the Council of Ministers (DCM) no.506/2007 "On the procedures and publication in the National Registration Center", Official Journal no. 113/2007;
3. Law no. 1008/2009, "On licenses, authorisation and permissions in the Republic of Albania", Official Journal no. 31/2009 (as amended by Law no. 10137/2009);
 - 3/1. DCM no. 538/2009 "On the licenses or permissions processed by or through the National Licensing Centre and on some other secondary legislation regulations", Official Journal no. 80/2009, (as amended by DCMs no. 1295/2009, no. 385/2010, no. 436/2011, no. 421/2013);
4. Law no. 38/2012 "On agricultural cooperation companies", Official Journal no. 42/2012;
5. Law no. 9136/2003 "On the compulsory social and health contributions in the Republic of Albania, Official Journal no. 84/2013, (as amended);
6. Law no. 9975/2008 "On national taxes", Official Journal no. 128/2008 (as amended);
7. Law no. 9632/2006 "On the system of local taxes", Official Journal no.123/2006, (as amended);
8. Law no. 9920/2008 "On the tax procedures in the Republic of Albania", Official Journal no. 85/2008, (as amended);
9. Law no. 8438/1998 "On income tax", Official Journal no. 32/1998, (as amended);
10. Law no.7928/1995 "On the value added tax (VAT) in the Republic of Albania", Official Journal no. 12/1995, (as amended);
 - 10/1. Instruction of the Minister no. 19/2014 "On the special regime for the compensation scheme of the agricultural producers for the purpose of the VAT".

B. Construction and Environment

1. Law no. 107/2014 "On planning and development of the territory", Official Journal no. 137/2014;
2. Law no. 9244/2004 "On the protection of the agricultural land", Official Journal no. 49/2004, (as amended by Law no. 69/2013, Law no. 131/2014);
3. Law 8752 dated 26.03.2001 "On establishment and functioning of the structures for protection of agricultural land", Official Journal no. 14/2001, (as amended by Law no. 9244/2004; Law no. 10257/2010; Law no. 16/2012; Law no. 130/2014);

4. Law no. 9426/2005 “On livestock management”, Official Journal no. 78/2005 (as amended by Law no. 9864/2008; Law no. 10137/2009; Law no. 72/2013);
5. Law no.8402/1998 "On the controls and discipline of the construction works”, Official Journal no. 22/1998 (as amended);
6. Law No. 10440/2011 “On the environmental impact assessment”, Official Journal no. 101/2011;
7. Law no. 10448/2011 “On environmental protection”, Official Journal no. 89/2011, (as amended by Law no. 31/2013);
8. Law no. 10463/2011 “On the integrated management of waste”, Official Journal 148/2011, (as amended by Law no. 32/2013; Law no. 156/2013);
9. DCM no. 99/2005, “On the approval of the Albanian catalogue of waste classification”, Official Journal no. 15/2005, (as amended by DCM no. 579/2014);
10. Law no.10465/2011, “On veterinary service in the Republic of Albania”, Official Journal no. 143/2011, (as amended by Law no. 70/2013);
11. Law no. 9115/2003, “For the environmental treatment of polluted waters”, Official Journal no. 78/2003, (as amended by Law no. 10448/2011; Law no. 34/2013);
12. Law no. 10448/2011 “On environmental permits”, Official Journal no. 105/2011 (as amended by Law no. 44/2013; Law no. 60/2014);
13. Law no. 111/2012, “On integrated management of water resources”, Official Journal 157/2012;
14. DCM no. 267 of 7.05.2014 ‘On the adoption of the priority substances in the aquatic environments’, Official Journal 71/2014;
15. DCM no. 246 of 30.04.2014 ‘On the establishment of environmental quality standards for surface waters’, Official Journal 65/2014;

C. Identification and registration of animals/farm

1. Law no. 9817/2007 “On agriculture and rural development”, Official Journal no. 147/2007;
2. Law no. 10465/2011, “On veterinary service in the Republic of Albania”, Official Journal no. 143/2011, (as amended by Law no. 70/2013);
3. Law no. 9426/2005 “On livestock management”, Official Journal no. 78/2005 (as amended by Law no. 9864/2008; Law no. 10137/2009; Law no. 72/2013);
4. Law no.10201/.2009, “On general registration of agricultural economic units”, Official Journal no. 193/2009;
5. Law no. 7802/2002 “On identification and registration of animals and farms”, Official Journal no. 47/2000, (as amended by Law no. 66/2013);
6. DCM no. 320/2008 “On the animal identification system and the registration of farms”, Official Journal no. 49/2008, (as amended by DCM no. 198/2009 and DCM no. 381/2009);
7. Regulation no. 1/2002 “On the system for the identification and registration of the animals and the livestock enterprises”;

8. Minister Order no. 407/2008 approving the Regulation “On the implementation of Regulation no. 1/2000, in relation to ear tag, passport and farm register ”;
9. Minister Order no. 459/2006 approving the Regulation "On identification and registration of small ruminants";

D. Animal welfare and health, primary production

1. Law no 7802/2002 “On identification and registration of animals and farms”, Official Journal no. 47/2000, (as amended by Law no. 66/2013);
2. Law no.10465/2011, “On veterinary service in the Republic of Albania”, Official Journal no. 143/2011, (as amended by Law no. 70/2013);
3. Law no. 9441/2005 “On the production, collection, processing and marketing of milk and milk-based products”, Official Journal no. 93/2005, (as amended);
4. DCM no. 1132/2008 “On the approval of the rules on the collection of unprocessed milk”, Official Journal no. 134/2008;
5. DCM no.1708/2008 “On the implementation of the programs for in-situ protection of autochthone ruminants”, Official Journal no. 208/2008;
6. DCM no. 320/2008 “On the animal identification system and the registration of farms”, Official Journal no. 49/2008, (as amended by DCM no. 198/2009 and DCM no. 381/2009);
7. Regulation No. 3/2006 “On hygiene of food products”, Annex 1 “Primary Production PART A: General Conditions in the Subject for Primary Production and Operations Hygiene Related”;
8. Order of the Minister no. 4/2008 approving the Regulation “On minimal standards for the breeding of house animals (cattle, calves);
9. Order of the Minister no.3/2008 approving the Regulation ““On certification of the pure breed species of cattle, sheep, goat, horse, pure breed and hybrid pig and their the sperm, ovules and embryo”;
10. Order of the Minister no. 1/2009 approving the Regulation “On the standards for breeding of pigs and hens”;
11. Minister Instruction No 3, Date30.04.2009 On Animal Health Regulations Regarding the Production, Processing, Distribution and Import of Products of Animal Origin for Human Consumption
12. Order of the Minister no. 2/2008 approving of the Regulation “On reproduction of farm animals and production and marketing of pedigree material”
13. Instruction No. 5/2011 “Specific Hygienic Requirements for Establishments/Units for Production, collection and processing of milk and milk- based products”;
14. Order of Minister No. 354, date 21.12.2011 approving Regulation “On protection of animals during transport”;
15. Order of the Minister no. 91/2012 “On certain protection measures in relation to highly pathogenic avian influenza and movements of pet birds accompanying their owners” (Commission Decision 2007/25/EC, 22 December 2006);

16. Order of the Minister no. 92/2012 approving the regulation “On the placing on the market and administration of bovine somatotrophin (BST)” (Dec.1999/879 EC ,17 December 1999);
17. Order of the Minister no. 24/2012 “On specific provisions for the control of African swine fever” (Directive 2005/624/EC);
18. Order of the Minister no. 286/2012 “On protection of animals kept for farming purposes”, (Council Directive 98/58/EC of 20 July 1998);
19. Order of the Minister no. 363/2013 “On the procedures for the establishment of residue limits of pharmacologically active substances in foodstuffs of animal origin” (Reg. no 470/2009/ EC of 6 May 2009, Reg. 2006/1055/EC, Reg. of 12 July 2006, 2006/1231/EC of 16 August 2006, Reg.2006/1451/EC of 29 September 2006);
20. Instruction of the Minister no. 7/2013 “On the protection of animals at the time of killing” (Council regulation (EC) no 1099/2009 of 24 September 2009);
21. Order of the Minister No. 188/2013 “On additional guarantees for the trade in bovine animals relating to infectious bovine rhinotracheitis”, (Commission Decision of 15 July 2004, 2004/558/EC).
22. Order of Minister No. 328/2014 approving Regulation “On the diagnostic manual for the African Swine Fever” (Decision 2003/422/EC);
23. Order of Minister No. 329/2014 approving Regulation “On minimum standards for the protection of calves” (Dir.2008/119/EC);
24. Order of Minister no. 370/2014 approving Regulation “On veterinary medicinal products”, (Directive 2001/82/EC);
25. Order of Minister no. 351/2014 approving Regulation “On the measures for the control of foot-and-mouth disease” (Directive 2003/85/EC);
26. Order of Minister no. 336/2014 approving Regulation “On the protection measures for the control of Avian Influenza”.
27. Order of the Minister no. 370/2014, approving the Regulation “On veterinary medical products”;

E. Plant protection

1. Law no. 9244/2004 “On the protection of the agricultural land”, Official Journal no. 49/2004, (as amended by Law no. 69/2013, Law no. 131/2014);
2. Law no. 9108/2003, “On the chemical substances and preparations”, Official Journal no. 66/2003, (as amended by Law no. 10137/2009; Law no. 33/2012);
3. Law no. 10390/2011 “On fertilizers used for plants”, Official Journal no. 31/2011, (as amended by Law. no 64/2013);
4. Law no. 9362/2005, “On the plant protection service”, Official Journal no. 29/2005, (as amended by Law no. 9908/2008; Law no. 10137/2009; Law no. 71/2013);
5. DCM no. 923/2011, “On composition and functioning of the Commission for the Evaluation and registration of Fertilizers and the procedures for the evaluation and registration”, Official Journal no. 182/2011;
6. DCM no. 774/2012, “On the production requirements, labelling, packing and marketing, as well as tolerance and list of types of fertilizers named “EC fertilizers”;

7. DCM no. 260/2013, "On the establishment of rules for the control, sampling, analysis and procedures, communication of results for the fertilizers analysis", Official Journal no. 57/2013;
8. DCM No. 612/2011, "On the establishment of the detailed requirements for fertilizers based on ammonium nitrate containing 28% nitrogen", Official Journal no. 139/2011;
9. DCM no.1188/2008 "On approval of rules for importation, trading, transport, storing, using and elimination of plant protection products", Official Journal no. 141/2008, (as amended by DCM no. 462/2012);
10. DCM no. 1555/2008 "On the approval of the rules on registration and evaluation criteria of plant protection products", Official Journal no. 183/2008, (as amended by DCM no. 791/2012);
11. DCM no. 750/2010 "On the approval of the rules on phytosanitary quarantine inspections", Official Journal 139/2010;
12. Order of the Minister no. 1/2003 approving the Regulation "On production, protection and use of the certified material in fruit and grape plants";
13. Instruction of the Minister no. 1/2007, "On the approval of the rules concerning the phytosanitary measures for the limitation of the bacterial afta (*Erwinia amylovora* (Burr.) Winsl. et al) in the Albanian territory";
14. Instruction of the Minister no. 2/2007, "On the approval of the rules concerning the phytosanitary measures for protection of the pure potato from the quarantine parasites";
15. Instruction of the Minister no. 3/2007, "On approval of the rules on monitoring, control, and quarantine measures to be adopted for the corn rootworm (*Diabrotica virgifera* Le Conte)";
16. Instruction of the Minister no. 7/2007, "On the approval of the rules on the phytosanitary safety of the woody packing material in the international and domestic trade"
17. Order of the Minister no. 51/2009. "On the functioning of the State Commission for the registration of the plant protection products";
18. Order of the Minister no. 250/2012, "On the establishment of the Commission for the Evaluation and Registration of the fertilizers used in plants not named "EC Fertilizers";
19. Order of the Minister no. 268/2012, "On the form and content of the plant fertilizers' register"
20. Instruction of the Minister no. 9/2012, "Conditions for the transport, storage and conservation of fertilizers".

MEASURE: PROCESSING AND MARKETING OF AGRICULTURAL PRODUCTS

A. Establishment, registration and licensing of business entities

1. Law no. 9901, date 14,04,2008 "On entrepreneurs and commercial enterprises", Official Journal no.60/2008, (as amended by Law no. 10475/2011 and Law no.129/2014);
 2. Law no. 9723 date 03.05.2007, "On the National Registration Center", Official Journal no. 60/2007, (as amended by Law no. 9916/2008 and Law no. 92/2012);
- 2/1. Decision of the Council of Ministers (DCM) no.506, date 1.8.2007 "On the procedures and publication in the National Registration Center", Official Journal no. 113/2007;

3. Law no.9863/2008 “On food”, Official Journal no.17/2008, (as amended by Law no. 10137/2009; Law no. 74/2013);
4. Normative Act no. 4/2012 “On the adoption of rules on the animal slaughter and sale of meat products”, Official Journal no. 110/2012;
5. Law no. 10081 date 23.02.2009, "On licenses, authorisation and permissions in the Republic of Albania", Official Journal no. 31/2009 (as amended by Law no. 10137/2009);
5/1. DCM no. 538 date 26.05.2009 "On the licenses or permissions processed by or through the National Licensing Center and on some other secondary legislation regulations", Official Journal no. 80/2009, (as amended by DCMs no. 1295/2009, no. 385/2010, no. 436/2011, no. 421/2013);
6. Law no. 38/2012 "On agricultural cooperation companies", Official Journal no. 42/2012;
7. Law no. 9136/2003 “On the compulsory social and health contributions in the Republic of Albania, Official Journal no. 84/2013, (as amended);
8. Law no. 9975/2008 “On national taxes”, Official Journal no. 128/2008 (as amended);
9. Law no. 9632/2006 “On the system of local taxes”, Official Journal no.123/2006, (as amended);
10. Law no. 9920/2008 “On the tax procedures in the Republic of Albania”, Official Journal no. 85/2008, (as amended);
11. Law no. 8438/1998 “On income tax”, Official Journal no. 32/1998, (as amended);
12. Law no.7928/1995 “On the value added tax (VAT) in the Republic of Albania”, Official Journal no. 12/1995, (as amended);

B. Construction and Environment

1. Law no. 107/2014 “On planning and development of the territory”, Official Journal no. 137/2014;
2. Law no.8402/1998 "On the controls and discipline of the construction works”, Official Journal no. 22/1998 (as amended);
3. Law No. 10440/2011 “On the environmental impact assessment”, Official Journal no. 101/2011;
4. Law no. 10448/2011 “On environmental protection”, Official Journal no. 89/2011, (as amended by Law no. 31/2013);
5. Law no. 10463/2011 “On the integrated management of waste”, Official Journal 148/2011, (as amended by Law no. 32/2013; Law no. 156/2013);
6. DCM no. 99/2005, “On the approval of the Albanian catalogue of waste classification”, Official Journal no. 15/2005, (as amended by DCM no. 579/2014);
7. Law no. 9115/2003, “For the environmental treatment of polluted waters”, Official Journal no. 78/2003, (as amended by Law no. 10448/2011; Law no. 34/2013);
8. Law no. 10448/2011 “On environmental permits”, Official Journal no. 105/2011 (as amended by Law no. 44/2013; Law no. 60/2014);
9. Law no. 10138/2009, “On the public health”, Official Journal no. 87/2009, (as amended by Law no. 52/2013);

10. Law no. 9441/2005 “On the production, collection, processing and marketing of milk and milk-based products”, Official Journal no. 93/2005, (as amended);
11. Order of the Minister no.22/2010 “On the general conditions and in particular of the hygiene in the food establishments”.

B. Food safety. Milk, meat and fruit/vegetables

1. Law no. 9441/2005 “On the production, collection, processing and marketing of milk and milk-based products”, Official Journal no. 93/2005, (as amended);
2. Law no.9863/2008 “On food”, Official Journal no.17/2008, (as amended by Law no. 10137/2009; Law no. 74/2013);
3. Law no.10465/2011, “On veterinary service in the Republic of Albania”, Official Journal no. 143/2011, (as amended by Law no. 70/2013);
4. Law no. 7659/1993 “On seeds and seedlings”, Official Journal no. 1/1993;
5. Law no. 7929/1995 "On the protection of fruit trees”, Official Journal no. 12/1995;
6. Law No. 10416/2011,"On plant seeding material”, Official Journal no. 46/2011, (as amended by Law no. 67/2013);
7. Law no. 9587/2006 “On protection of biodiversity”, Official Journal no. 84, (as amended by Law no. 37/2013; Law no. 68/2014);
8. DCM no. 1132/2008 “On the approval of the rules on the collection of unprocessed milk”, Official Journal no. 134/2008;
9. Instruction of the Minister no.5, date 25.03.2011 “On specific requirements of hygiene in establishments of the milk production, collection and processing, also for the milk based products”;
10. Instruction of the Minister no.22/2010 “On the general conditions and in particular of the hygiene in the food establishments”, Official Journal no. Extra 80/2012;
11. Instruction of the Minister no.21/2010 “On specific requirements of hygiene and official controls for products with animal origin”, Official Journal no. Extra 80/2012;
12. Instruction no. 20/2010 “On the implementation of the preventive programs, GMP. GHP and procedures based on risk analysis and CCP-s (HACCP) in the food establishments”, Official Journal no. Extra 80/2012;
13. Instruction no.23/2010 “Specific requirements of the hygiene for meat and meat products”, Official Journal no. Extra 80/2012;
14. Instruction of the Minister no. 7/2013 “On the protection of animals at the time of killing” (Council regulation (EC) no 1099/2009 of 24 September 2009);
15. Instruction no.7/2012 “On the use of food additive “E 960 Steviol Glycoside” in the food products”;
16. Order of the Minister no.327/2012 approving the Regulation “On the monitoring of the zoonosis”;
17. Instruction of the Minister no.15/2012 “On the materials and articles in contact with food”;
18. Order of the Minister no.363/2013 approving the Regulation “On the limitation of the residues of active pharmacologic substances in the foods of animal origins”;

19. Instruction of the Minister no.1/2014 “On the enzymes in the food products”;
20. Instruction no. 4/2014, “On food products and food ingredients treated with rays”;
21. Order of the Minister no.235/2014 approving the Regulation “On the requirements for traceability of the food with animal origins”;
22. Instruction of the Minister no. 6/2014 “On the extracting solvents used in the food production and food ingredients”
23. Instruction of the Minister no. 5/2014 “On the maximal level of the pesticide residues in the products such as bananas, tomatoes, grain, cucumbers, apples, potatoes, grape, vine grape, olives and peppers”;
24. Order of the Minister no.127/2014, “On the approval of the Action Plan in the milk and milk products sector”;
25. Order of the Minister no. 350/2014, “On certain lactoproteins (casein and caseinate) used for human consumption”;
26. Order of the Minister no. 234/2014 amending the Order no. 261/2009 “On the microbiologic criteria for food products”;

MEASURE: FARM DIVERSIFICATION AND BUSINESS DEVELOPMENT

A. Establishment, registration and licensing of business entities

1. Law no. 9901/2008 "On entrepreneurs and commercial enterprises", Official Journal no.60/2008, (as amended by Law no. 10475/2011 and Law no.129/2014);
2. Law no. 9723/2007, "On the National Registration Center", Official Journal no. 60/2007, (as amended by Law no. 9916/2008 and Law no. 92/2012);
 - 2/1. Decision of the Council of Ministers (DCM) no.506/2007 "On the procedures and publication in the National Registration Center", Official Journal no. 113/2007;
3. Law no. 1008/2009, "On licenses, authorisation and permissions in the Republic of Albania", Official Journal no. 31/2009 (as amended by Law no. 10137/2009);
 - 3/1. DCM no. 538/2009 "On the licenses or permissions processed by or through the National Licensing Center and on some other secondary legislation regulations", Official Journal no. 80/2009, (as amended by DCMs no. 1295/2009, no. 385/2010, no. 436/2011, no. 421/2013);
4. Law no. 38/2012 "On agricultural cooperation companies", Official Journal no. 42/2012;
5. Law no. 9136/2003 “On the compulsory social and health contributions in the Republic of Albania, Official Journal no. 84/2013, (as amended);
6. Law no. 9975/2008 “On national taxes”, Official Journal no. 128/2008 (as amended);
7. Law no. 9632/2006 “On the system of local taxes”, Official Journal no.123/2006, (as amended);
8. Law no. 9920/2008 “On the tax procedures in the Republic of Albania”, Official Journal no. 85/2008, (as amended);
9. Law no. 8438/1998 “On income tax”, Official Journal no. 32/1998, (as amended);
10. Law no.7928/1995 “On the value added tax (VAT) in the Republic of Albania”, Official Journal no. 12/1995, (as amended);

B. Construction and Environment

1. Law no. 107/2014 “On planning and development of the territory”, Official Journal no. 137/2014;
2. Law no.8402/1998 "On the controls and discipline of the construction works”, Official Journal no. 22/1998 (as amended);
3. Law no. 9244/2004 “On the protection of the agricultural land”, Official Journal no. 49/2004, (as amended by Law no. 69/2013, Law no. 131/2014);
4. Law No. 10440/2011 “On the environmental impact assessment”, Official Journal no. 101/2011;
5. Law no. 10448/2011 “On environmental protection”, Official Journal no. 89/2011, (as amended by Law no. 31/2013);
6. Law no. 9587/2006 “On protection of biodiversity”, OJ 84/2006 (as amended by Law no. 37/2013; Law no. 68/2014);
7. Law no. 10463/2011 “On the integrated management of waste”, Official Journal 148/2011, (as amended by Law no. 32/2013; Law no. 156/2013);
8. DCM no. 99/2005, “On the approval of the Albanian catalogue of waste classification”, Official Journal no. 15/2005, (as amended by DCM no. 579/2014);
9. Law no. 9115/2003, “For the environmental treatment of polluted waters”, Official Journal no. 78/2003, (as amended by Law no. 10448/2011; Law no. 34/2013);
10. Law no. 10448/2011 “On environmental permits”, Official Journal no. 105/2011 (as amended by Law no. 44/2013; Law no. 60/2014);
11. Law no. 10138/2009, “On the public health”, Official Journal no. 87/2009, (as amended by Law no. 52/2013);
12. Law no. 9103/2003, “On cross border protection of lakes”, Official Journal 65/2003 (amended by Law 35/2013);
13. Law no. 111/2012, “On integrated management of water resources”, Official Journal 157/2012;
14. DCM no. 480/2012, “On protection of the national emergency plan on reaction to sea pollution in the Republic of Albania”, Official Journal 113/2012;
15. Law 8905/2002 On protection of sea water environment from pollution and damage” OJ 29/202 (amended 10137/2009; 30/2013);
16. DCM n. 709/2014 approving the Intersectorial Strategy for Rural and agricultural Development. Official Journal 169/2014

C. MAPs, mushrooms, honey, ornamental plants and snails

1. Law no. 9244/2004 “On the protection of the agricultural land”, Official Journal no. 49/2004, (as amended by Law no. 69/2013, Law no. 131/2014);
2. Law no. 9587/2006 “On protection of biodiversity”, OJ 84/2006 (as amended by Law no. 37/2013; Law no. 68/2014);
3. Law no. 7659/1993 “On seeds and seedlings”, Official Journal no. 1/1993;
4. Law no. 9362/2005, “On the plant protection service”, Official Journal no. 29/2005, (as amended by Law no. 9908/2008; Law no. 10137/2009; Law no. 71/2013);

5. Law no.9863/2008 “On food”, Official Journal no.17/2008, (as amended by Law no. 10137/2009; Law no. 74/2013);
6. DCM no. 750/2010 “On inspections of phytosanitary quarantine”, Official Journal no. 139/2010;
7. Law no.10120/2009, “On protection of medicinally plants’ fund”, Official Journal no. 62/2009, (as amended by Law 10137/2009; Law no. 42/2013);
8. Order of the Minister no. 42/2012, “On the species of plants whose variety must be registered in the National Catalogue of Plants”, Official Journal no. 36/2012;
9. Law no.10465/2011, “On veterinary service in the Republic of Albania”, Official Journal no. 143/2011, (as amended by Law no. 70/2013);
10. DCM no.1344/2008, “On the approval of the rules for the labelling of food products”, Official Journal no. 160/2008;
11. Instruction of the Minister no.22/2010 “On the general conditions and in particular of the hygiene in the food establishments”, Official Journal no. Extra 80/2012;
12. Instruction of the Minister no.21/2010 “On specific requirements of hygiene and official controls for products with animal origin”, Official Journal no. Extra 80/2012;
13. Instruction no. 20/2010 “On the implementation of the preventive programs, GMP, GHP and procedures based on risk analysis and CCP-s (HACCP) in the food establishments”, Official Journal no. Extra 80/2012;
14. Regulation No. 3/2006 “On hygiene of food products”, Annex 1 “Primary Production PART A: General Conditions in the Subject for Primary Production and Operations Hygiene Related”;
15. Order of the Minister no. 286/2012 “On protection of animals kept for farming purposes”, (Council Directive 98/58/EC of 20 July 1998);

D. On-farm processing and direct marketing of agricultural products (milk, meat, fruits and vegetables, olive, wine, honey, etc.)

1. Law no. 9441/2005 “On the production, collection, processing and marketing of milk and milk-based products”, Official Journal no. 93/2005, (as amended);
2. Law no. 87/2013 “On the categorisation of the production, labelling and marketing of olive oil”, Official Journal no. 20/2013;
3. Law no.9863/2008 “On food”, Official Journal no.17/2008, (as amended by Law no. 10137/2009; Law no. 74/2013);
4. DCM no. 1132/2008 “On the approval of the rules on the collection of unprocessed milk”, Official Journal no. 134/2008
5. Instruction of the Minister no.5, date 25.03.2011 “On specific requirements of hygiene in establishments of the milk production, collection and processing, also for the milk based products”;
6. Instruction of the Minister no.22/2010 “On the general conditions and in particular of the hygiene in the food establishments”, Official Journal no. Extra 80/2012;
7. Instruction of the Minister no.21/2010 “On specific requirements of hygiene and official controls for products with animal origin”, Official Journal no. Extra 80/2012;

8. Instruction no. 20/2010 “On the implementation of the preventive programs, GMP. GHP and procedures based on risk analysis and CCP-s (HACCP) in the food establishments”, Official Journal no. Extra 80/2012;
9. Instruction no.23/2010 “Specific requirements of the hygiene for meat and meat products”, Official Journal no. Extra 80/2012;
10. Instruction of the Minister no.16/2011 “On food additives different from the colorant and sweeteners”, Official Journal 134/2011;
11. DCM no. 409/2013 “On establishment of the criteria for marketing and certification of the seeding material for grapevines”, Official Journal 86/2013;
12. Instruction of the Minister no. 620/2005, “On the variety structure of the seedlings and seeding material of the imported or domestic produced grapevine”, Official Journal (not identified);

E. Aquaculture

1. Law no. 64/2012, “On Fishery”, Official Journal no. 73/2012, (as amended Law 29/2013);
2. Law no. 9863/2008 “On food”, Official Journal no.17/2008, (as amended by Law no. 10137/2009; Law no. 74/2013);
3. Law no. 9251/2004, “Sea Code of Albania”, Official Journal no. 55/2004, (as amended by Law no. 10483/2011);
4. DCM no. 462/2014 “On approval of the regulation on registration of vessels in the Republic of Albania”, Official Journal 113/2014;
5. DCM no. 402/2013, “On establishment of managing measures for the sustaining exploitation of the fish resources in the sea”, Official Journal 85/2013;
6. DCM no. 407/2013, “On the establishment of a control regime for the compliance with the rules of fish managing policy”, Official Journal 85/2013;
7. DCM no. 302/2013, “On the establishment of the inspection system for the prevention, discouraging and eradication of the illegal, unreported and unregulated fishing activity and the establishment of the certification scheme for fishes”, Official Journal 65/2013;

F. Rural tourism

1. Law no. 9734/2007, “On tourism”, Official Journal no. 63/2007, (amended by Law no. 9930/2008; Law no. 76/2013);
2. Law no. 9048/2003 "On the cultural heritage”, Official Journal no. 33/2003, (as amended by Law no. 9592/2006; Law no. 9882/2008; Law no. 10137/2009; Law no. 77/2013);
3. Action Plan of the Ministry of Tourism “On the Strategy for Tourism 2014-2020”;
4. Law no. 9376/2005, “On sports”, Official Journal no. 36/2005 (amended by Law no. 9816/2007; Law no. 9963/2008);

G. Services for rural population and business

1. Law no. 69/2012, “On the pre-academic instruction system in the Republic of Albania”;

2. Law no. 8872/2002 “On the professional instruction and formation in the Republic of Albania”, Official Journal no. 11/2002, (as amended by Law no. 10011/2008; Law no. 10137/2009; Law no. 10434/2011; Law no. 63/2014);
3. Law no. 9355/2005, “On the social assistance and services”, Official Journal no. 22/2005, (as amended);
4. Law no. 10107/2009, “On health care in the Republic of Albania”, Official Journal no. 46/2009, (as amended by Law no. 51/2013);
5. DCM no. 564/2005, “On licensing of the social care service providers”, Official Journal no. 66/2005, (as amended by DCM no. 349/2007);
6. DCM no. 708/2003, “On the licensing and functioning of the private employment agencies”, Official Journal no. 90/2003;
7. Instruction of the Minister no. 1590/2008, “On the licensing procedures for the entities exercising the activity of professional formation”;
8. Instruction of the Minister no. 28/2009, “On the procedure for the evaluation of the licensing applications for the entities exercising activities of professional formation”, (as amended by Instruction no. 1/2013);
9. Instruction of the Minister no. 1456/2009, “On the procedures for the evaluation of licensing applications for the entities exercising social care activity”, (as amended by Instruction 1456 (2)/2009);

H. Renewable energy production

1. Law no. 9072/2003, “On electric energy sector”, Official Journal no. 53/2003, (as amended);
2. Law no. 138/2013. “On the renewable energy sources”, Official Journal no. 83/2013;
3. Regulation of Energy Regulatory Entity, “On the certification of renewable energy”;

ANNEX 2. LIST OF RURAL AREAS

REGION	MUNICIPALITY /COMMUNE	
BERAT		
	BERAT	POLIÇAN
	BOGOVË	POSHNJË
	CUKALAT	POTOM
	ÇEPAN	QENDËR SKRAPAR
	ÇOROVODË	ROSHNIK
	GJERBËS	SINJË
	KOZARE	TERPAN
	KUÇOVË	URA VAJGURORE
	KUTALLI	VELABISHT
	LESHNJË	VENDRESHË
	LUMAS	VERTOP
	OTLLAK	ZHEPË
	PERONDI	
DIBER		
	ARRAS	MAQELLARË
	BAZ	MARTANESH
	BULQIZË	MELAN
	BURREL	OSTREN
	DERJAN	PESHKOPI
	FUSHË BULQIZË	QENDËR TOMIN
	FUSHË MUHUR	RUKAJ
	FUSHË ÇIDHËN	SELISHTË
	GJORICË	SHUPENZË
	GURRË	SLLOVË
	KALA E DODËS	SUÇ
	KASTRIOT	TREBISHT
	KLOS	ULËZ
	KOMSI	XIBËR
	LIS	ZALL DARDHË
	LURË	ZALL REÇ
	LUZNI	ZERQAN
	MACUKULL	
DURRËS		
	BUBQ	MAMINAS
	CUDHI	MANËZ
	FUSHË KRUIË	NIKËL
	GJEPALAJ	RRASHBULL
	ISHËM	SHIJAK
	KATUND I RI	SUKTH
	KODËR THUMANË	XHAFZOTAJ
	KRUIË	
ELBASAN		
	BELSH	ORENJË
	BRADASHESH	PAJOVË
	CËRRIK	PAPËR
	FIERZË	PEQIN
	FUNARË	PËRPARIM
	GJERGJAN	PËRRENJAS
	GJINAR	PISHAJ
	GJOCAJ	POLIS
	GOSTIMË	POROÇAN
	GRACEN	QENDËR
	GRAMSH	QUKËS
	GREKAN	RAJÇË
	HOTOLISHT	RRASË
	KAJAN	SHALËS
	KARINË	SHEZË
	KLOS	SHIRGJAN
	KODOVJAT	SHUSHICË
	KUKUR	SKËNDERBEGAS
	KUSHOVË	STËBLEVË
	LABINOT FUSHË	STRAVAJ
	LABINOT MAL	SULT
	LENIE	TREGAN
	LIBRAZH	TUNJË
	LUNIK	ZAVALIN

REGION	MUNICIPALITY /COMMUNE	
	MOLLA	
FIER		
	ALLKAJ	KUMAN
	ARANITAS	KURJAN
	BALLAGAT	KUTË
	BALLSH	LEVAN
	BUBULLIMË	LIBOFSHË
	CAKRAN	LUSHNJE
	DERMENAS	MBROSTAR
	DIVJAKË	NGRAÇAN
	DUSHK	PATOS
	FIERSHEGAN	PORTËZ
	FRAKULL	QENDËR (FIER)
	FRATAR	QENDËR (MALLAKASTËR)
	GOLEM.	ROSKOVEC
	GRABIAN	RREMAS
	GRADISHTË	RUZHDIË
	GRESHICË	SELITË
	HEKAL	STRUM
	HYSGJOKAJ	TËRBUF
	KARBUNARË	TOPOJË
	KOLONJË	ZHARRËS
	KRUTJE	
GJIROKASTËR		
	ANTIGONË	LOPËS
	BALLABAN	LUFTINJË
	BUZ	LUNXHËRI
	CEPO	MEMALIAJ
	ÇARÇOVË	ODRIË
	DISHNICË	PËRMET
	DROPULL I POSHTËM	PETRAN
	DROPULL I SIPËRM	PICAR
	FRASHËR	POGON
	FSHAT MEMALIAJ	QENDËR PISKOVË
	GJIROKASTËR	QENDËR (TEPELENË)
	KËLCYRË	QENDËR LIBOHOVË
	KRAHËS	QESARAT
	KURVELESH	SUKË
	LAZARAT	TEPELENË
	LIBOHOVË	ZAGORI
KORÇË		
	BARMASH	MOLLAJ
	BILISHT	MOLLAS.
	BUÇIMAS	NOVOSELË
	ÇËRRAVË	PIRG
	ÇLIRIM	POGRADEC
	DARDHAS	POJAN
	DRENOVË	PROGËR
	ERSEKË	PROPTISHT
	GORË	QENDËR BILISHT
	HOÇISHT	QENDËR ERSEKE
	HUDENISHT	QENDËR LESKOVIK
	LEKAS	QENDËR KORCE
	LESKOVIK	TREBINJË
	LIBONIK	VELÇAN
	LIQENAS	VITHKUQ
	MALIQ	VOSKOP
	MIRAS	VOSKOPOJË
	MOGLICË	VRESHTAS
KUKËS		
	ARRËN	KUKËS
	BAJRAM CURRI	LEKBIBAJ
	BICAJ	LLUGAJ
	BUJAN	MALZI
	BUSHTRICË	MARGEGAJ
	BYTYÇ	SHISHTAVEC
	FAJZA	SHTIQËN
	FIERZË .	SURROJ
	GJINAJ	TËRTHORE
	GOLAJ	TOPOJAN

REGION	MUNICIPALITY /COMMUNE	
	GRYKË ÇAJË	TROPOJË
	KALIS	UJËMISHT
	KOLSH	ZAPOD
	KRUMË	
LEZHË		
	BALLDREN I RI	MAMURRAS
	BLINISHT	MILOT
	DAJÇ	OROSH
	FAN	RRËSHEN
	FUSHË KUQE	RUBIK
	KAÇINAR	SELITË.
	KALLMET	SHËNGJIN
	KOLÇ	SHËNKOLL
	KTHJELLË	UNGREJ
LAÇ	ZEJMEN	
LEZHË		
SHKODËR		
	ANA E MALIT	PUKË
	BËRDICË	PULT
	BLERIM	QAFË MALI
	BUSHAT	QELËZ
	DAJÇ	QENDËR
	FIERZË	QERRET
	FUSHË ARRËZ	RRAPË
	GJEGJAN	RRETHINAT
	GRUEMIRË	SHALË
	GURI I ZI	SHKREL
	HAJMEL	SHLLAK
	IBALLË	SHOSH
	KASTRAT	TEMAL
	KELMEND	VAU I DEJËS
KOPLIK	VELIPOJË	
POSTRIBË	VIG-MNELEË	
TIRANË		
	BALDUSHK	NDROQ
	BËRXULLË	PASKUQAN
	BËRZHITË	PETRELË
	DAJT	PEZË
	FARKË	PREZË
	GOLEM	RROGOZHINË
	GOSË	SHËNGJERGJ
	HELMËS	SINABALLAJ
	KASHAR	SYNEJ
	KAVAJË	VAQARR
	KËRRABË	VORË
	KRYEVIDH	ZALL BASTAR
	LEKAJ	ZALL HERR
LUZ I VOGEL		
VLORË		
	ALIKO	MESOPOTAM
	ARMEN	NOVOSELË.
	BRATAJ	ORIKUM
	DELVINË	QENDËR
	DHIVËR	SARANDË
	FINIQ	SELENICË
	HIMARË	SEVASTER
	KONISPOL	SHUSHICË.
	KOTE	VERGO
	KSAMIL	VLLAHINË
	LIVADHJA	VRANISHT
	LUKOVË	XARRË
MARKAT		

ANNEX 3. DESCRIPTION OF THE METHODOLOGY FOR ASSESSMENT OF THE ECONOMIC VIABILITY

A. Projects with total eligible cost of the investment not exceeding EUR 50,000 euro.

The projects have to submit Technical Project Proposal containing simplified income statement and cash flow projection. The projects will be assessed for profitability and liquidity and will be supported, if the below given criteria are satisfied:

- Net profit ≥ 0 ; and,
- Cumulative cash flow ≥ 0 .

B. Projects with total eligible cost of the investment above EUR 50,000 euro.

The projects have to submit a business plan. The business plan will be assessed for profitability and liquidity and the project will be supported, if the below given criteria are satisfied:

- Net Present Value ≥ 0 ; and,
- Internal Rate of Return \geq **discount rate** (Bank of Albania basic rate).

ANNEX 4. A DEFINITION OF SMALL AND MEDIUM ENTERPRISES.

Micro, small or medium enterprises are defined in accordance with the Article 4 of the Law on Small and Medium Enterprises No. 8957, dated 7.10.2002 and its amendments.

1. Enterprises are classified as: micro, small and medium enterprises.
2. The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 250,000,000 ALL.
3. Small enterprise is defined as an enterprise which employs fewer than 50 persons and whose annual turnover does not exceed 50,000,000 ALL.
4. Microenterprise is defined as an enterprise which employs fewer than 10 persons and whose annual turnover does not exceed 10,000,000 ALL.

ANNEX 5. LIST OF LESS FAVOURED AREAS/MOUNTAIN AREAS WITH HIGHER AID INTENSITY

The list was approved by Instruction No 3 of 10/02/2011 on the definition of disadvantaged mountain areas issued by the Ministry of agriculture, food and consumer protection.

The definitions used are as follows:

1) Disadvantaged mountain areas are those areas featured by great constrains regarding the possibility to use land and an obvious increase of the agricultural mechanics cost, due to the:

- a) Difficult climate conditions, because of the considerable altitude beyond the sea level, which have a significant impact on the shortening of growth and production season;
- b) In lower altitudes, the presence of steep slopes in the overwhelming part of the surface limiting the efficient use of usual means of the agricultural mechanism; or
- c) A combination of both factors, where the limitation coming as a consequence of each factor is smaller, but merging of the negative impacts of both factors yields an equivalent level of limitation and difficulties.

2) The smallest unit of a “disadvantaged mountain area” is the local government unit (a commune or municipality).

2.2. To be considered “a disadvantaged mountain area”, the local government unit shall meet at least one of the following criteria:

- a) have at least 50% of the surface of the agricultural land in the altitude of above 600 meters above the sea level;
- b) have at least 50% of the surface of the agricultural land in a slope of over 20%;
- c) have at least 50% of the surface of the agricultural land in an altitude of over 300 meters above the sea level and also have over 50% of the amount of its agricultural land in a slope of over 15%;
- d) have a steep relief, set in a standard deviation of the altitude over the sea level above 200 meters;
- e) be surrounded in over 50% of its territory by: (i) other local government units classified as “less favoured” with at least one of the above criteria; or (ii) be partially surrounded by local government units classified as “disadvantaged mountain areas” and partially from the national borders.

Sub-prefectures	LGU classified as “disadvantaged mountain areas”	Other LGU
BERAT	6	6
	ROSHNIK SINJË TËRPAN URA VAJGURORË VELABISHT VËRTOP	BERAT CUKALAT KUTALLI LUMAS OTLLAK POSHNJE
BULQIZË	8	-
	BULQIZË FUSHË BULQIZË GJORICË KLENJË (TREBISHT) MARTANESH OSTREN SHUPENZË ZERQAN	
DELVINË	4	-
	DELVINË FINIQ MESOPOTAM	

Sub-prefectures	LGU classified as “disadvantaged mountain areas”	Other LGU
	VERGO	
DEVOLL	5	-
	BILISHT BILISHT QENDËR HOÇISHT MIRAS PROGËR	
DIBËR	15	-
	ARRAS FUSHË CIDHËN KALAJA E DODËS KASTRIOT LURË LUZNI MAQELLARË MELAN MUHURR PESHKOPI SELISHTË SLLOVË TOMIN ZALL-DARDHË ZALL-REÇ	
DURRËS	-	10
		DURRËS GJEPALAJ ISHËM KATUND I RI MAMINAS MANËZ RRASHBULL SHIJAK SUKTH XHAFZOTAJ
ELBASAN	10	13
	BRADASHESH FUNAR GJINAR GRACEN LABINOT FUSHË LABINOT MAL MOLLAS SHUSHICË TREGAN ZAVALINË	BELSH CËRRIK ELBASAN FIERZË GJERGJAN GOSTIMË GREKAN KAJAN KLOS PAPËR RRASË SHALËS SHIRGJAN
FIER	-	17
		CAKRAN DERMENAS FIER FRAKULL KUMAN KURJAN LEVAN LIBOFSHË MBROSTAR PATOS PORTEZ QENDËR ROSKOVEC RUZHDIE STRUM TOPOJË ZHARRËZ
GJIROKASTËR	13	-
	ANTIGONË CEPO DROPULL I POSHTËM DROPULL I SIPËRM GJIROKASTËR LAZARAT LIBOHOVË LUNXHËRI	

Sub-prefectures	LGU classified as “disadvantaged mountain areas”	Other LGU
	ODRIE PICAR POGON QENDËR LIBOHOVË ZAGORI	
GRAMSH	10	-
	GRAMSH KODOVJAT KUKUR KUSHOVË LENIE PISHAJ POROÇAN SKËNDERBEGAS SULT TUNJË	
HAS	4	-
	FAJZË GJINAJ GOLAJ KRUMË	
KAVAJË	-	10
		GOLEM GOSË HELMAS KAVAJË KRYEVIDH LEKAJ LUZ I VOGËL RROGOZHINË SINABALLAJ SYNEJ
KOLONJË	8	-
	BARMASH ÇLIRIM ERSEKË LESKOVIK LESKOVIK QENDER MOLLAS NOVOSELË QENDËR ERSEKË	
KORÇË	16	-
	DRENOVË GORE KORÇË LEKAS LIBONIK LIQENAS MALIQ MOGLICË MOLLAJ PIRG POJAN QENDËR VITHKUQ VOSKOP VOSKOPOJË VRESHTAS	
KRUJË	3	3
	CUDHI KRUJË NIKËL	BUBQ FUSHË KRUJË KODËR THUMANË
KUÇOVË	-	3
		KOZARE KUÇOVË PERONDI
KUKËS	15	-
	ARRËN BICAJ BUSHTRICË GRYKË CAJE KALIS KOLSH KUKËS MALZI	

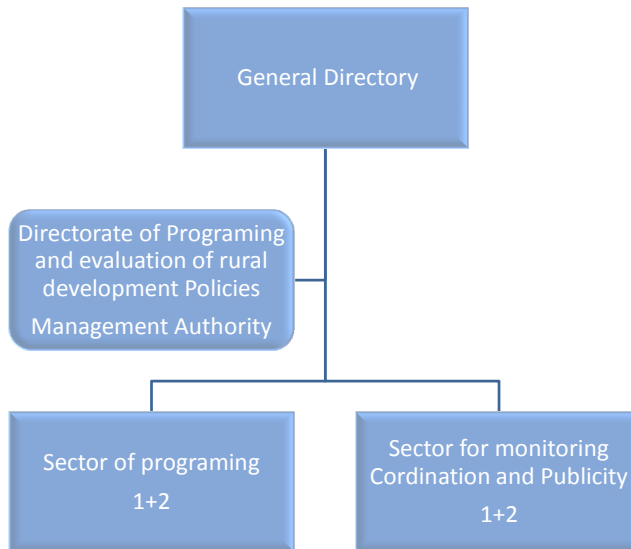
Sub-prefectures	LGU classified as “disadvantaged mountain areas”	Other LGU
	SHISHTAVEC SHTIQËN SURROJ TËRTHORE TOPOJAN UJMISHT ZAPOD	
KURBIN	1	3
	MILOT	FUSHË KUQE LAÇ MAMURRAS
LEZHË	2	8
	KALLMET KOLÇ	BALLDREN I RI BLINISHT DAJÇ LEZHË SHËNGJIN SHËNKOLL UNGREJ ZEJMEN
LIBRAZHD	11	-
	HOTOLISHT LIBRAZHD LUNIK ORENJË POLIS PRRENJAS QENDËR QUKËS RAJÇË STEBLEVË STRAVAJ	
LUSHNJE	-	16
		ALLKAJ BALLAGAT BUBULLIMË DIVJAKË DUSHK FIER SHEGAN GOLEM GRABIAN GRADISHTË HYSGJOKAJ KARBUNARË KOLONJË KRUTJE LUSHNJE REMAS TËRBUF
MALËSI E MADHE	4	2
	GRUEMIRË KASTRAT KELMEND SHKREL	KOPLIK QENDËR
MALLAKASTËR	6	3
	ARANITAS FRATAR GRESHICË KUTE NGRAÇAN SELITË	BALLSH HEKAL QENDËR
MAT	12	-
	BAZ BURREL DERJAN GURRË KLOS KOMSI LIS MACUKULL RUKAJ SUÇ ULËZ XIBËR	
MIRDITË	7	-

Sub-prefectures	LGU classified as “disadvantaged mountain areas”	Other LGU
	FAN KAÇINAR KTHJELLË OROSH RRËSHEN RUBIK SELITË	
PEQIN	-	6 GJOCAJ KARINË PAJOVË PEQIN PËRPARIM SHEZË
PËRMET	9 BALLABAN ÇARÇOVE DISHNICË FRASHËR KELCYRË PËRMET PETRAN QENDËR SUKË	-
POGRADEC	8 BUÇIMAS ÇERRAVË DARDHAS POGRADEC PROPTISHT TREBINJË UDENISHT VELÇAN	-
PUKË	10 BLERIM FIERZË FUSHË ARRËZ GJEGJAN IBALLË PUKË QAFË-MAL QELËZ QERRET RRAPE	-
SARANDË	6 DHIVER KONISPOL KSAMIL LIVADHJA LUKOVË MARKAT	3 ALIKO SARANDË XARRË
SHKODËR	7 POSTRIBË PULT SHALË SHLLAK SHOSH TEMAL VAU I DEJËS	10 ANA E MALIT BËRDICË BUSHAT DAJÇ GURI I ZI HAJMEL RRETHINË SHKODËR VELIPOJË VIG-MNELË
SKRAPAR	10 BOGOVË ÇEPAN ÇOROVODË GJERBËS LESHNJE POLIÇAN POTOM QENDËR VËNDRESHË ZHEPË	-
TEPELENË	10 BUZ	-

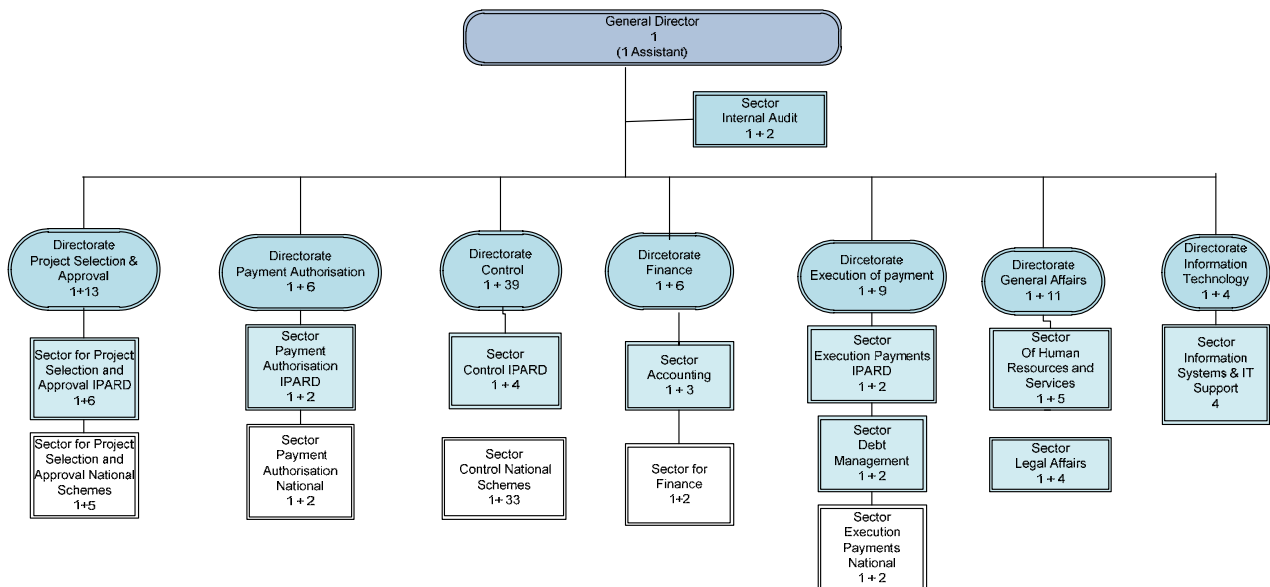
Sub-prefectures	LGU classified as “disadvantaged mountain areas”	Other LGU
	KRAHËS KURVELESH LOPËS LUFTINJË MEMALIAJ MEMALIAJ FSHAT QENDËR QESARAT TEPELENË	
TIRANË	6	13
	BËRZHITË DAJT KRRABË SHËNGJERGJ ZALL BASTAR ZALL HERR	BALDUSHK BËRXULLË FARKË KAMËZ KASHAR NDROQ PASKUQAN PETRELË PEZË PREZË TIRANË VAQARR VORË
TROPOJË	8	-
	BAJRAM CURRI BUJAN BYTYÇ FIERZË LEKBIBAJ LLUGAJ MARGEGAJ TROPOJË	
VLOBË	6	7
	BRATAJ HIMARË KOTË ORIKUM SEVASTËR VRANISHT	ARMEN NOVOSELË QENDËR SELENICË SHUSHICË VLLAHINË VLOBË
Total	240	133

ANNEX 6. ORGANOGRAM OF THE MA AND IPARD AGENCY

Organizational structure of IPARD Management Authority



Organizational Structure of ARDA



- Subject to accreditation
- Not Subject to accreditation

ANNEX 7. RESULTS OF CONSULTATIONS - SUMMARY

Subject of the consultation	Date of the consultation	Time given to comment	Names of institutions/bodies/person consulted	Summary of the results
Objectives of the measures Eligibility rules Selection criteria Budget	11.12. 2014	05-11.12.2014	Agim Rama, Specialist for medical plants	<ul style="list-style-type: none"> - The Programme should give priority to investments in local varieties and the production of seeds and saplings, and preservation of autochthonous varieties; - To support establishment of laboratory facilities for medical plants analysis; - To support establishment of farmer's organisations; - To encourage intensification of production through introduction of new technologies.
	11.12. 2014	05-11.12.2014	Z.Mark Babani, Administrator of Mare Adriatik,	To include fish processing in the Programme;
	11.12. 2014	05-11.12.2014	Z. Pal Nika, Specialist, Agriculture Directorate	To give priority to cooperatives in the selection of projects;
	11.12. 2014	05-11.12.2014	Z. Xheladin Zeka, farmer	<ul style="list-style-type: none"> - To reduce minimum thresholds for support of open field and greenhouse vegetables sectors; - To make eligible processing of wild fruits and berries (there are about 100 ha wild pomegranate in Shkodra);
	11.12. 2014	05-11.12.2014	Znj.Margarita Pepa (NGO)	<ul style="list-style-type: none"> -To speed up preparation and start of implementation of the LEADER measure; -To increase the number of consultants, extensionists, trained in preparation of the business plans; -To publish a list of trained consultants;
	11.12. 2014	05-11.12.2014	Z. Simon Gjoka, Farmer, LEZHË Z.Luftar Moli, Livestock Farmer	To facilitate the procedure for issuing construction permits;
	11.12. 2014	05-11.12.2014	Z. Xheladin Zeka MAP farmer	To reserve at least 25% of the budget under the Measure of Farm Diversification and Business Development to MAPs.
	11.12. 2014	05-11.12.2014	ARDA specialist and Ymer LEKAJ, Farmer	To provide support for the strengthening of the veterinary service by supporting investments in veterinary practices in rural areas, since there is a lack of infrastructure, veterinary stations (clinics, buildings, laboratories, etc.)
	11.12. 2014	05-11.12.2014	Z. Francesk Toma, Advisor Services, Lezhë	To support "rare/ specific plants" brought to Albania by other countries (as exp. some kind of fruit trees that can be used for fruits and wood for industrial processing)
	11.12. 2014	05-11.12.2014	Znj. Mynyre Hysa, Head of extension	Proposal Chestnuts to be included under diversification measure, plums, and forest

Subject of the consultation	Date of the consultation	Time given to comment	Names of institutions/bodies/person consulted	Summary of the results
Objectives of the measures Sectors Eligibility rules Selection criteria Budget			service	fruits but also vegetables like Drisht cabbage, okra.
	16.12.2014	9-16.12.2014	Z.ARBEN MALO, Director, Agriculture Directory, Region, Korçë	<ul style="list-style-type: none"> - To support investments in the protection of crops and introduction of new methods of preservation from atmospheric factors (exp. coverings); - To give priority to projects that establish long-term contacts between collector-processors; - To support investments in land improvements, in order to make the land useable for crop production; - To increase laboratory capacity for soil analysis;
	16.12.2014	9-16.12.2014	SPIRO FUQI, KORÇË Head of a processing company	<ul style="list-style-type: none"> - To strengthen the capacity for monitoring and control of the Technical bodies, which can lead to a better implementation of the Programme; - To conduct a regional needs assessment and to allocate the funds according to the needs; - To provide information and advice on seeds and saplings quality and varieties, in order to ensure viability of the investments and match to requirements of the market demand.
	16.12.2014	9-16.12.2014	Z. Arben Mucollari, Agrinet representative, representative of the apple production union	<ul style="list-style-type: none"> - To give priority to investments for extending apple storage facilities, because in the region there is a large number of farmers who invested in the increase of production. - To give priority to processing of domestic products rather than the imported ones;
	16.12.2014	9-16.12.2014	ENVER DUMA, Representative of BOVA Company Z. Agron Çakalli, Representative of Agriculture Federation Elbasan,	<ul style="list-style-type: none"> - To support beekeeping and olive value chain in the Programme; - To provide support for investments in land improvements and to construction of water reservoirs.
	16.12.2014	9-16.12.2014	Z. Shefqet Hysa Adviser, Elbasan,	<ul style="list-style-type: none"> - To support schemes for irrigation infrastructure in some areas like Dumre which has many lakes, the area itself is dry; - To reduce minimum threshold for vineyards from 10 dyn to 5 dyn.
	16.12.2014	9-16.12.2014	Z. Vasfi Sherifi, Seeds production and inputs commercial, Korçë.	The quality of seeds is very important for increasing of the production, therefore the support for the increase of laboratory capacity has to be encouraged.
	16.12.2014	9-16.12.2014	-Kujtim Gjoni, Agriculture Specialist -Filip Gjini, Food Specialist Vlorë	To reduce the minimum threshold for the number of cows in the milk sector.
	14.01.2015	6-14.01.2015	Balil Bineri, Director, Agriculture Directorate Gjirokastër Dervish Seferi, Head	<ul style="list-style-type: none"> - The minimum investment expenditure under the Measure investments in physical assets of agricultural holdings to be reduced to 20 thousand euros; - The minimum size of vineyard should not

Subject of the consultation	Date of the consultation	Time given to comment	Names of institutions/bodies/person consulted	Summary of the results
Objectives of the measures Sectors Eligibility rules Selection criteria Budget			of Extension Service, Vlorë	be decreased.
	14.01.2015	6-14.01.2015	Vesaf Musaj Olive Oil Producer Luljeta Cenaj, Farmer Vlorë	<ul style="list-style-type: none"> - The minimum investment expenditure under the Measure investments in physical assets of agricultural holdings has to be reduced to 20 thousand euros; - To support processing lines for olive oil; - After introduction of the new administrative division of the country to make sure that villages in the bigger municipalities are eligible for support; - To give higher priorities to young farmers and women; to have a separate selection criteria for women farmers.
	14.01.2015	6-14.01.2015	Vangjel Fero, Extension Service, Adviser, Gjirokastër	<ul style="list-style-type: none"> - To create a group of advisors experienced in design of projects for stables so that farmers are aware about the parameters, the standards required for their construction; - To reduce the number of rooms for rural tourism hotels
	15.01.2015	6-15.01.2015	Beqir Fiska, Agronomist – Wine Producer	<ul style="list-style-type: none"> - To support investments in water reservoirs under the Measure investments in processing and marketing of agricultural products. - To introduce advance payments for purchase of machinery.
	15.01.2015	6-15.01.2015	Hetem Bidaj, Extension Service Agriculture Directorate, Fier	<ul style="list-style-type: none"> - In the meat sector, with regards to poultry, the word “broiler” should be taken out; - The size of the farms should be reviewed; - The maximum value of the eligible costs of investment should be increased from 2 to 5 million euros; - To give higher priority to agricultural cooperatives.
	15.01.2015	6-15.01.2015	Kosta Çuedari, Olive Processor.	<ul style="list-style-type: none"> - The validity of cadastral confirmations is three months, and when time comes for their submission their validity has already expired; - Interim payments should be eligible under the Programme for all investments; - National authorities to develop schemes for improving access to bank credit.
	15.01.2015	6-15.01.2015	Muhamet Baboçi, Extension Service Fier,	To reduce minimum threshold for vineyards to 0.5 ha
	15.01.2015	6-15.01.2015	Izmini Omari, Extension Service Fier	<ul style="list-style-type: none"> - To monitor and provide regular feedback on the problems encountered during the applications of IPARD-like. - To provide information on most frequent mistakes in applications; - To increase support for poultry meat production; - To support processing of technological wastes such as whey, vegetal oil, etc.
	15.01.2015	6-15.01.2015	Pelivan Metushi, Milk Farmer Fier	- To increase the period for applications under the Call for proposals, in order to have sufficient time for collection of all requested

Subject of the consultation	Date of the consultation	Time given to comment	Names of institutions/bodies/person consulted	Summary of the results
Objectives of the measures Sectors Eligibility rules Selection criteria Budget				supporting documents. - To give a priority to milk farms.
	21.01.2015	12-21.01.2015	Qemal Memishi, Head of Extension Service Kukës	- To reduce minimum threshold for vegetable growing farms from 0.5 ha to 0.2 ha, in one parcel (or adjacent parcels); fruits from 0.5 to 0.3 ha; vineyards, from 1 ha to 0.4 ha or 0.5 ha. - To establish and publish standard costs per ha of surface or animal head.
	21.01.2015	12-21.01.2015	Qemal Memishi, farmer, Kukës	- To encourage investments in slaughterhouses; - To simplify application process and to increase deadlines for applications; - To simplify national procedures for issuing of construction permits for stables and environmental requirements, which are very difficult to comply with; - Land ownership issues are not yet solved, and simplification of the requirements have to be made; - To facilitate access to affordable credit (high interest is a problem for investments); - To decentralise submission of application to the regional offices of ARDA; - To provide regional trainings for the consultants supporting farmers in the preparation of the applications.
	21.01.2015	12-21.01.2015	Dali Rexha, Economist Dibra	- To publish national minimum standard in a user friendly format; - To increase number of trained consultants; - To facilitate access to credit through increasing awareness of the banks about IPARD.
	21.01.2015	12-21.01.2015	Veip Salkurti, Farmer and Processor Dibra	- Additional trainings to be conducted, in order to increase the capacities for the preparation of the applications; - To encouraged banks to support farmers with low interest loans.
	21.01.2015	12-21.01.2015	Osman Begu, Specialist Dibra	- To combine milk and meat sectors under the measure ‘Investments in physical assets of agricultural holdings’ - To have interim payments, because big investments are difficult to implement.
	21.01.2015	12-21.01.2015	Haxhi Shehu, Specialist Dibra	- To support investments in afforestation; - To support investments in irrigation channels.
	21.01.2015	12-21.01.2015	Sherif Bisha, Extension Service Dibra	To increase the budget of the “Agri-environment, climate and organic farming “ measure
	21.01.2015	12-21.01.2015	Zyber Qokja Medicinal Plants Association Diber	To support access to affordable credit for operational costs in MAPs (the medicinal plants are a priority for the region of Diber, but we as collection canter, do not have sufficient funds to pay the farmers, since we face delays in the sales of our stock, from 6 up to 2 years. That stops our investments in

Subject of the consultation	Date of the consultation	Time given to comment	Names of institutions/bodies/person consulted	Summary of the results
				in equipment - machineries for the processing of medicinal plants).
	21.01.2015	12-21.01.2015	Osman Xhilli Head of Extension Service Diber	To support investments in forestry and improvement of pastures; In case of pastures, support is needed for opening of trails, clearing existing ones, construction of watering ponds; Irrigation investments can be supported in the case of groups of three to four farmers.
	21.01.2015	12-21.01.2015	Majlinda Hoxha, Executive Director of Vision Association in Diber	- With regard to investments in food safety, the minimum threshold of 70 thousand euros is too high; - The measure on the preparation and implementation of local development strategies will be very difficult to implement.
	21.01.2015	12-21.01.2015	Novrus Jashari Director of the Regional Agriculture Directorate Diber	- The programme has to include some special provisions for the emigrants that are returning to Albania. - Purchase of animals should be supported; - The construction materials should be exempted from VAT.
	28.01.2015	20-28.01.2015	Bashkim Kazazi, Farmer, KAVAJË	Regarding the criteria on the minimum size of farms - it has to be possible the farms of members of one family to cooperate and thus to comply with the minimum size ('I do not fulfil the minimum criteria of farmed land, but together with my son we do').
Objectives of the measures	28.01.2015	20-28.01.2015	Nexhat LAPI, SPECIALIST, KASHAR TIRANË	- There are difficulties with land documentation as following the adoption of law no. 7501, agriculture land was fragmented making it difficult to obtain of the ownership documentation; we want to invest in the establishment of a refrigerator, but we feel there are no legal guarantees regarding the construction permits that would protect our investments on our properties.
Priority sectors				
Eligibility rules				
Selection criteria				
Budget	28.01.2015	20-28.01.2015	Hekuran XHANI, farmer Lekaj village, KAVAJË	- To reduce the minimum threshold of the eligible costs of investments from 30,000 euros to 10,000 euros. - To include as eligible sector the production of grain; - The Ministry should set up a working group in order to explain to the farmers the procedures of the IPARD II programme.
	28.01.2015	20-28.01.2015	Zenel ALIU, Specialist, Agriculture Regional Directorate, DURRËS,	- To reduce the minimum threshold for vineyards from 1 ha to 0.5 ha, but this (0.5 ha) to be in 2 or 3 parcels; - To reduce the minimum threshold of investment to 20 thousand euros; - To support investments in afforestation in rural areas which should be based on 100% grant.

Subject of the consultation	Date of the consultation	Time given to comment	Names of institutions/bodies/person consulted	Summary of the results
Objectives of the measures Sectors Eligibility rules Selection criteria	28.01.2015	20-28.01.2015	Alfred Sinakoli, Veterinary MD, for DAJT- SHËNGJERGJ TIRANË. Bahri Kokomani, Farmer, Hardhishte DURRËS	To lower minimum threshold for small ruminants - from 100 animal heads to 50 animal heads.
Budget	28.01.2015	20-28.01.2015	Theodora BUJARI, BUNA Company.	To increase the indicative budget of the agri-environmental measure.
	28.01.2015	20-28.01.2015	Meliha Bejko, AGROTEK Company	<ul style="list-style-type: none"> - The selection criteria has to create higher incentives for the increase of the local primary production (the company imports most of the raw materials for purposes of processing); - To encourage cooperation of farmers and processors.
	28.01.2015	20-28.01.2015	Vasip HABILI, Director, Agriculture Directorate, DURRËS.	To work closely with farmers, to provide information on new measures, ways to make a profit, and best practices.

ANNEX 8. EX-ANTE EVALUATION REPORT

ABBREVIATIONS AND ACRONYMS

ARDA	Agriculture and Rural Development Agency
AWU	Annual Work Unit
CMES	Common Monitoring and Evaluation System
DANIDA	Danish International Development Agency
DC	Department for Control (ARDA)
DG AGRI	Directorate General for Agriculture and Rural Development
DG ENLARGE	Directorate General for Enlargement
DPSA	Department for Project Selection and Approval (ARDA)
EC	European Commission
EIA	Environmental Impact Assessment
EU	European Union
EUD	Delegation of the European Union
F&V	Fruits and Vegetables
FTE	Full-Time Equivalent
GEF	Global Environment Facility
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
GHG	Greenhouse Gas
GVA	Gross Value Added
HACCP	Hazard Analysis Critical Control Point
IPA	Instrument for Pre-accession Assistance
IPARD	IPA Component for Rural Development
IRR	Internal Rate of Return
ISARD	Inter-sectoral Strategy for Agriculture and Rural Development
LAG	Local Action Group
LEADER	Links between Actions for the Development of the Rural Economy
LU	Livestock Unit
MA	Managing Authority
MAP	Medicinal and Aromatic Plants
MARDWA	Ministry of Agriculture, Rural Development and Water Administration

MIS	Management Information System
MoE	Ministry of the Environment
MoP	Manual of Procedures
MS	Member State
NFA	National Food Authority
NMS	National Minimum Standards
NPV	Net Present Value
NRDN	National Rural Development Network
NVS	National Veterinary Service
OA	Operational Agreement
OS	Operating Structure
OTSC	On-the-spot Controls
PA	Paying Agency
RDR	Rural Development Regulation
RoI	Return on Investment
SIDA	Swedish International Development Agency
TA	Technical Assistance
TB	Technical Body
TFP	Total Factor Productivity
UAA	Utilised Agricultural Area
WB	World Bank
WLA	Workload Analysis

EXECUTIVE SUMMARY

Objective of the *ex-ante* evaluation

According to the Terms of Reference (ToR) (see annex 1), the objective of the *ex-ante* evaluation is to contribute to improving the relevance, efficiency and effectiveness of European Union (EU) pre-accession assistance to Albania under the Instrument for Pre-accession Assistance (IPA) II Component for Rural Development. Relevance is achieved through a comparative assessment of a) the situational analysis in the Albanian agricultural and food sectors presented in the draft programme chapters 2 to 4; and b) the strategy, the selected measures and their design as presented in chapters 6 to 8. Efficiency is indicatively achieved through an estimation of the expected results and impacts generated by the programme interventions compared with the resources spent. Effectiveness is achieved by assessing the implementing structure in terms of the effectiveness of applied systems. The evaluation also provides recommendations to the beneficiary regarding possible improvements to the programme text reflecting initiatives to increase relevance, efficiency and effectiveness.

Description of the process

The *ex-ante* evaluation is prepared with reference to the draft guidelines for *ex-ante* evaluations of Instrument for Pre-accession Assistance Component for Rural Development II (IPARD II) programmes, prepared by the Directorate General for Agriculture and Rural Development (DG Agri), February 2014, supplemented with *ex-ante* guidelines for rural development programmes (RDPs) under the Common Agricultural Policy (CAP) prepared by DG Agri in 2013. These draft IPARD II guidelines also determine the objectives of the *ex-ante* evaluation and the indicative outline of the report.

The evaluation process has five phases with the following use of person-days:

- Desk research: 4 person-days
- Data collection mission to Albania (3 to 7 November): 10 person-days
- Analyses and reporting: 10 person-days
- Presentation of conclusions and recommendations and discussion of the implementation of recommendations with the Ministry of Agriculture, Rural Development and Water Administration (MARDWA): 6 person-days
- Finalisation of the *ex-ante* evaluation report: 3 person-days

The conducting of the *ex-ante* evaluation runs from 28 October to 18 December 2014 with a total input of 31 person-days, of which 12 are dedicated to environmental issues.

Summary conclusions

The programme and its planned interventions are both relevant to and in line with the needs of the sectors concerned. The combined support provided to the sectors in order to a) strengthen their competitiveness and b) meet EU standards is important to the development of the professional and commercial sub-sectors and will contribute to the increased professionalism that is required of future markets.

While the selection of measures is understandable given the expected timing of accreditation and implementation, the delays envisaged make it relevant to consider the additional inclusion from 2017 of other measures from the intended stage 2 of the programme. Advisory services are needed to transfer knowledge to farmers and enterprises in rural areas; agri-environment and climate measures are relevant to farmers in remote and mountainous areas and can contribute to the development in these areas and the LEADER approach is relevant – after a period of

preparation and set-up of Local Action Groups - in order to stimulate the local initiatives and to mobilise the local resources for development of the territories.

The estimated expected impacts of the programme will contribute to economic development in the country and in rural areas in particular. The estimated expected impacts are summarised in the table below.

Table 0.1: Estimated expected impacts, Gross Value Added (GVA) and jobs

Topic	Measure 1	Measure 2	Measure 3	Total or average
Total investment expenditure, million €	52.1	70.6	22.6	145.3
Public investment expenditure, million €	33.3	35.3	14.7	83.3
Expected Return on Investment (RoI), %	15	20	10	N/A
Generated GVA, million €	7.8	14.1	2.3	24.2
Generated increase in sector GVA, %	0.43	15.5	0,13	1.27
Generated new jobs, number	940	1,159	627	2,726
Public costs per new job generated, €	35,460	30,500	23,400	30,560

The total investment of 145.3 million € is estimated to generate a total increase in GVA of 24.2 million € (1.27% of the total GVA for agriculture and food processing in 2012). The investments will furthermore generate 2,726 new jobs and increase the labour productivity of 2,726 existing employees in the sectors. Labour productivity will increase from 3,615 € to 4,157 € per Annual Work Unit (AWU) in agriculture and from 5,082 € to 6,100 € per AWU in food processing.

Only a small proportion of operators in the relevant sectors are professional, market-orientated commercial operators. Greater programme focus can thus be placed on commercial farms and enterprises, which are ready to align with EU standards.

It has been very important for Albania that the *IPARD Like* grant scheme has been implemented over the last two years and that another call is planned for 2015. Progress has been made both in the sectors (among operators) and the administration (MARDWA, the Agriculture and Rural Development Agency (ARDA) and technical bodies). Regulatory, legislative and bureaucratic bottlenecks have been identified and steps taken to solve the problems, including a new organisational set-up of the National Food Authority and Veterinarian Services into one united organisation under the auspices of MARDWA. At the same time the environmental conditions for more effective programme implementation in the future are under establishment. Furthermore, lessons learnt by ARDA indicate that it is possible to improve the effectiveness of ARDA in order to speed up the administration of applications, through (among other activities) the training of staff and the learning-by-doing approach with appropriate Technical Assistance (TA) support over the coming years. Also, procedures should be re-assessed and simplifications suggested where possible, for example for uncomplicated and smaller applications.

The effectiveness of ARDA must also be considered in the light of the high expectations of the institution as a central Paying Agency in the country and a core player in the implementation not only of IPARD II but also of other national and donor programmes. There will be greater and

greater pressure on ARDA to deliver the capacities to implement the programmes, and this can only be achieved if effectiveness increases.

The current Monitoring and Evaluation (M&E) system is not optimal, even though it fulfils the formal requirements and documents well the so-called audit trail for the applications and the payment claims. But the IT system is not optimal in the sense that it should provide information to MARDWA management and the Managing Authority about the progress of programme implementation in terms of its contribution to the fulfilment of programme objectives. This is not presently the case since only input and output indicators are covered by the system and thus monitored, when in fact result and impact indicators should also be covered through continuous data collection and the relevant IT system designed to support this task (including an appropriate data reporting and data visualisation facility). It can thus be concluded that the M&E system can be improved in conjunction with the overall enhancement of M&E and lessons learnt in MARDWA.

One of the big challenges for MARDWA relates to the enforcement of National Minimum Standards in the sectors. In general, compliance with environmental, food safety and animal welfare standards in the Albanian agricultural and food sectors remains low. A large number of agricultural holdings fail to comply with standards due to limited financial resources to upgrade facilities and technologies and a lack of awareness and knowledge of standards. The enforcement of legislation is also very weak, which creates a disincentive for investments to comply with standards.

Inadequate farming techniques, non-application of crop rotation, decreasing soil cultivation, low and unbalanced use of organic and mineral fertiliser and the use of ineffective measures for plant protection also contribute to the continuous degradation of agricultural land.

Due to the weak enforcement of water management standards, there are high levels of water loss, as well as a risk of pollution and quality deterioration. Nitrates are not systematically monitored and information on nitrogen levels in lakes and groundwater is not yet available in a comprehensive database.

The contribution of the Albanian agricultural sector to greenhouse gas (GHG) emissions is estimated to be 35% (7,956-8,540 tonnes of CO₂ in 2005-2006). Methane represents 78% of this share mainly due to the enteric fermentation of livestock.

A serious threat to the environment is the lack of proper manure and waste management practices. With very few exceptions, farms have no manure storage and treatment facilities. Large numbers of food processing companies and slaughterhouses lack equipment for water disposal and waste and wastewater treatment.

The environmental problems related to the Medicinal and Aromatic Plant (MAP) sector are caused by the use of improper harvesting techniques, followed by over-harvesting in certain areas. There is no obligation to respect quotas in MAP harvesting and this results in competition to secure a supply of products, leading to the overexploitation of natural resources.

Based on these observations and conclusions, the project team makes the recommendations summarised below.

Recommendations

The *ex-ante* evaluation contains a variety of suggestions and recommendations that are included in the report. Below is a summary of the main recommendations:

Title of the recommendation: *Context indicators*

Date: 28/11/2014

Topic: Use of context indicators

Description of the recommendation: Context indicators - mandatory in all Member State (MS) RDPs – can actively be used as a tool for structuring the description and situational analysis in the agriculture and food sectors. Context indicators could be used as a structuring tool in the situational analysis and all indicators filled in if possible (along with a cross-check of the indicators being used now). Using context indicators makes it possible for the Management Authority (MA) to avoid using time on description of irrelevant topics and to make sure that all relevant topics are covered.

Title of the recommendation: *Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis*

Date: 28/11/2014

Topic: Synthesis of SWOT

Description of the recommendation: The SWOT is a summarised situational analysis of the sectors. The SWOT tables are well prepared and would work better as annexes. It is recommended to instead prepare a 1-page synthesis of the SWOT outlining the overall strategic orientation derived from it.

Title of the recommendation: *Intervention logic*

Date: 28/11/2014

Topic: Stages 1 and 2 reconsidered

Description of the recommendation: Reconsider the idea of an IPARD II programme in 2 stages. There is urgent need in Albania to strengthen the knowledge level of the sectors and advisory services can be a useful tool in this respect. Therefore it is recommended to include the second-stage measures (Advisory services, Agri-environment-climate and, when appropriately prepared, LEADER) in the present version and plan for their implementation from 2017. There should be enough time to prepare all relevant measures by 2017.

Title of the recommendation: *Intervention logic*

Date: 28/11/2014

Topic: Summary of intervention logic

Description of the recommendation: The prepared summary table of the intervention logic could be even more precise than is currently the case. A revised summary of the intervention logic that covers all levels from inputs, via outputs to results and impacts should be prepared to better present the logic behind the programme. This recommendation is beyond the minimum requirements from DG Agri, but is nevertheless still an important recommendation in order for MARDWA to better demonstrate and monitor the logic behind the programme implementation.

Title of the recommendation: *Financial plan*

Date: 28/11/2014

Topic: Justification of allocations in the financial plan

Description of the recommendation: The text includes no explanation of how the balance is achieved in the financial plan or of how the distribution of funds relates to needs and targets. The rationale behind the distribution of funds among measures should be described and the justifications made transparent. A multi- criteria model for analysing objective criteria for the distribution of funds on sectors and measures may be relevant, and is very briefly demonstrated in the *ex-ante* evaluation report.

Title of the recommendation: *Targets*

Date: 28/11/2014

Topic: Enhance quantification of targets

Description of the recommendation: Only a few targets are quantified in the current text. All targets to be included in table 6.4 should be quantified to the extent possible using the estimates presented in this report and data from the measure descriptions in the draft programme text. This will make the monitoring and management of the programme easier and more transparent.

Title of the recommendation: *Implementing arrangements*

Date: 28/11/2014

Topic: Measure design

Description of the recommendation: The competence level in agriculture and food processing is generally considered to be low and investment support is needed to increase production capacity, productivity and product quality. However, knowledge transfer must form part of the support in order to make the investments sustainable. Consider making investment support a condition of the appropriate training of recipients.

Title of the recommendation: *Implementing arrangements*

Date: 28/11/2014

Topic: Measure design

Description of the recommendation: In order to define demarcations with other support programmes and ensure that investment support targets commercial farms and enterprises, it is recommended to increase the minimum level of support. Consider increasing the minimum investment support thresholds for the selected measures and adapting the minimum production capacities accordingly.

Title of the recommendation: *Implementing arrangements*

Date: 28/11/2014

Topic: Managing Authority (MA)

Description of the recommendation: The role of the MA is important to both programming and programme implementation, including M&E. There is an urgent need to strengthen the MA at MARDWA and the capacity of staff (in terms of both numbers and competences).

Title of the recommendation: *Implementing arrangements*

Date: 28/11/2014

Topic: Paying Agency (PA)

Description of the recommendation: Experience from the implementation of *IPARD Like* informs that the use of resources is extensive and that the time spent on the processing of applications and payment claims is relatively long. It should be considered to increase the effectiveness of the implementation procedures. A first step would be to update the existing Workload Analysis for the PA and then to consider how to increase the effectiveness of procedures through TA.

Title of the recommendation: *Implementing arrangements*

Date: 28/11/2014

Topic: *M&E*

Description of the recommendation: Monitoring and evaluation is of paramount importance to ensuring that resources are spent in an effective and efficient way to the benefit of the sectors. In a situation where resources are scarce this is even more important. The M&E system at ARDA should be rethought and the IT system improved in order to enable the coverage of all relevant data in an enhanced M&E system, including data on the results and impacts of accomplished interventions.

Title of the recommendation: *Implementing arrangements*

Date: 28/11/2014

Topic: Environmental measures

Description of the recommendation: In order to strengthen the combined efforts of MARDWA and the Ministry of the Environment (MoE) regarding the environment and nature protection, it is recommended to establish a common technical working group to a) coordinate and enhance the enforcement of existing regulations through controls, inspections etc., and b) prepare for the development and implementation of agri-environment-climate measures under IPARD II from 2017.

Title of the recommendation: *Implementing arrangements*

Date: 28/11/2014

Topic: Good Agricultural and Environmental Practice (GAEP)

Description of the recommendation: In prolongation of the previous recommendation, it is here recommended to develop guidelines for Good Agricultural and Environmental Practice and to ensure that these guidelines are disseminated to the agricultural sector. Furthermore, the training of advisory services and of farmers in the practical use of these guidelines should be included in the package in order to contribute to the improved management of resources in the agricultural and food sectors.

Table 0.2: Overview of main recommendations

Date	Topic	Recommendation	How recommendation has been addressed, or justification as to why not taken into account
<i>SWOT analysis and needs assessment</i>			
28/11/2014	Use of context indicators	Use the context indicators as a structuring tool in the situational analysis. Fill in all indicators if possible and cross-check the indicators being used now.	Accepted. The information on missing context indicators was added, where possible.
28/11/2014	SWOT	Prepare a synthesis of the SWOT outlining the overall strategic orientation derived from the SWOT.	Accepted. The synthesis of the SWOT has been added.
<i>Construction of the intervention logic</i>			
28/11/2014	Stages 1 and 2 reconsidered	Reconsider the idea of an IPARD II programme in 2 stages. The launch will take place in 2017 and there is enough time to prepare all relevant measures by this time.	Not accepted. Simultaneous start of all measures will put a significant burden on PA to prepare for entrusting of budget implementation tasks. The programme is designed under the assumption of start of implementation in 2016. Measure ‘Advisory services’ is scheduled to start in 2016 as well. Measure ‘Implementation of local development strategies – LEADER approach’ needs at least 1 year for capacity building of potential LAGs and selection, which will be funded under TA measure, after its accreditation. Thus, it cannot start in the same period as the Programme.
28/11/2014	Summary of intervention logic	Prepare a revised summary of the intervention logic covering all levels from inputs, via outputs to results and impacts.	Not accepted. Section 6.4 of the Programme is prepared according to the IPARD II Programming guidelines, using all relevant indicators.

Date	Topic	Recommendation	How recommendation has been addressed, or justification as to why not taken into account
<i>Establishment of targets and distribution of financial allocations</i>			
28/11/2014	Financial plan	Describe the rationale behind the distribution of funds among measures and ensure justifications are transparent.	Accepted. Justification is given in Section 6.2
28/11/2014	Targets	Quantify all targets to the extent possible using the estimates presented in this report.	Not accepted. All targets are quantified in the Programme.
<i>Programme implementation, monitoring, evaluation and financial arrangements</i>			
28/11/2014	Measure design	Consider making investment support a condition of the appropriate training of recipients.	Not accepted. The MA will co-operate with all relevant training institutions and advisory services to ensuring access to training of potential applicants and recipients. However, the participation in training will not be made mandatory for recipients of investment support to avoid risk of errors and delays in implementation of projects.
28/11/2014	Measure design	Consider increasing the minimum investment support thresholds for the selected measures and adapt the minimum production capacities accordingly.	Accepted. The minimum thresholds were increased.
28/11/2014	MA	Strengthen the MA at MARDWA and the capacity of staff (in terms of both number and competence).	Accepted. Additional capacity building actions have been planned. Update of the workload analysis will be carried out and number of staff aligned accordingly.
28/11/2014	PA	Update the WLA for PA and consider how to increase the effectiveness of procedures through TA.	Accepted. Update of the workload analysis will be carried out. The effectiveness of the procedures will be reviewed and, where feasible and in line with the Sectoral agreement, they will be simplified.

Date	Topic	Recommendation	How recommendation has been addressed, or justification as to why not taken into account
28/11/2014	M&E	Rethink the M&E system and improve the IT system in order to enable coverage of all relevant data by an enhanced M&E system.	Accepted. The data needed for the M&E will be specified and the existing system will be adjusted before the start of implementation of measures.
28/11/2014	Environmental measures	Establish a common technical working group to a) coordinate and enhance the enforcement of existing regulations through controls, inspections etc., and b) prepare for the development and implementation of agri-environment-climate measures under IPARD II from 2017.	Accepted. TWG is foreseen to be established in 2015 and it will facilitate the preparation of ‘Agri-environment climate and organic farming measures’.
28/11/2014	GAEP	Develop guidelines for Good Agricultural and Environmental Practice and ensure that they are disseminated to the agricultural sector. Training of advisory services and farmers in the practical use of these guidelines should be included in the package in order to contribute to the improved management of resources in the agricultural and food sectors.	Accepted. Guidelines for Good Agricultural and Environmental Practice will be developed and training will be organised.

INTRODUCTION

Purpose of the ex-ante evaluation report

The *ex-ante* evaluation is mandatory for the Ministry of Agriculture, Rural Development and Water Administration (MARDWA) and the requirement for the *ex-ante* evaluation of all programmes financed from the European Union (EU) budget is provided for in the Financial Regulation (Articles 18 and 30 of Delegated Regulation (EU) n° 1268/2012). The purpose of the *ex-ante* evaluation is to provide the responsible authorities, in this case MARDWA, with an independent and external evaluation of the draft programme with a view to improving its relevance, coherence, quality, efficiency, effectiveness, EU added value, consistency and synergy with relevant policies, where appropriate and necessary.

The content of the *ex-ante* evaluation is defined by the Financial Regulation and shall assess the topics as indicated below:

- a) The needs to be met in the short or long term;
- b) The added value of Union involvement;
- c) The policy and management objectives to be achieved, which include the measures necessary to safeguard the financial interests of the Union in the field of fraud prevention, detection, investigation, reparation and sanctions;
- d) The policy options available, including the risks associated with them;
- e) The results and impacts expected, in particular economic, social and environmental impacts, and the indicators and evaluation arrangement needed to measure them;
- f) The most appropriate method of implementation for the preferred options;
- g) The internal coherence of the proposed programme or activity and its relations with other relevant instruments;
- h) The volume of appropriations, human resources and other administrative expenditure to be allocated to the implementation of the programme with due regard for the cost-effectiveness principle; and
- i) The lessons learnt from similar experiences in the past.

In this respect, the *ex-ante* evaluation will focus on the extent to which the Rural Development component of the Instrument for Pre-Accession Assistance (IPARD II) 2014-2020 in the Republic of Albania reflects in particular the priorities and overall country strategy. The *ex-ante* evaluation shall result from a situational analysis in the agricultural and food sectors in Albania, taking due account of the Albanian Enlargement Strategy and of European Commission (EC) Progress reports.

According to the Terms of Reference (ToR) (see annex 1), the *ex-ante* evaluation objectives are:

Global objective

Contribute to improving the relevance, efficiency and effectiveness of EU pre-accession assistance under the IPA II Component for Rural Development in Albania.

Specific objective

Carry out an *ex-ante* evaluation of the Albanian Rural Development Programme under IPARD 2014-2020.

Requested services

The *ex-ante* evaluation should be based on the Draft Guidelines for *Ex-ante* Evaluation (February 2014) of the Directorate General for Agriculture and Rural Development (DG AGRI). The consultant shall implement the following activities:

Table 1.1: Requested services (ToR)

Activities	Where is the activity reported in the draft report?
<p><i>Review of documents/studies (home-based) including:</i></p> <ul style="list-style-type: none"> • Draft IPARD programme 2011-2013 • <i>Ex-ante</i> evaluation of the draft IPARD programme 2013 -2020 • Agriculture and Rural Development Strategy 2014-2020 • Updated and new sectoral studies • Recent policy papers useful to the evaluation • Recent technical reports useful to the evaluation 	<p>Accomplished. The documents as well as others collected during mission 1 were studied before and after the mission and utilised throughout the report (see annex 8.3 for specific references)</p>
<p><i>Assessment of the programme-related SWOT analysis</i></p> <p>Assess the completeness of the SWOT analysis</p> <p>Analyse the causes of any disparities identified</p> <p>Identify and assess the driving forces toward sustainable rural development and the preparation for the implementation and management of the Community's agricultural policy</p> <p>Contribute to the quantification of context- and objective-related baseline indicators (common and programme-related) by verifying and, where appropriate, suggesting modifications of the proposed indicators and figures</p> <p>Assess and, where appropriate, suggest revisions to the ranking of disparities and priorities assigned to identified needs and their translation into objectives and concrete priorities for action</p>	<p>Addressed in chapter 2</p> <p>Addressed in chapter 2.2</p> <p>Addressed in chapter 2.3</p> <p>Addressed in chapter 2.2</p> <p>Addressed in chapters 3, 3.3 and 3.5</p> <p>Addressed in chapter 2</p>

Activities	Where is the activity reported in the draft report?
<p><i>Assessment of expected impacts</i></p> <p>Assess whether targets are quantified in a meaningful and verifiable manner, allowing subsequent programme monitoring and evaluation, in particular with respect to the utility and sustainability programme</p> <p>Assess the correct application of common baseline indicators and the usefulness of programme-specific baseline indicators, as well as programme-specific impact indicators reflecting the specific objectives and circumstances of the programme concerned</p> <p>Assess the expected results and impacts of measures; in this respect the <i>ex-ante</i> evaluation should pay particular attention to the verifiability of the results of the measures concerned</p> <p>Verify the functioning of data collection mechanisms in view of ensuring regular follow-up on the trends during different phases of the programme reflected in the indicators applied</p>	<p>Addressed in chapter 5</p> <p>Addressed in chapters 3 and 7</p> <p>Addressed in chapters 2 and 3</p> <p>Addressed in chapter 5</p> <p>Addressed in chapters 6 and 7</p>
<p><i>Assessment of proposed implementation procedures, including monitoring, evaluation and financial management</i></p> <p>Assess the implementing provisions for managing, monitoring, and evaluation of the programme with a focus on ensuring a sound and efficient management. This will include an appraisal of risks resulting from possible bottlenecks which might impede implementation of the programme and recommendations for preventive actions</p> <p>Ensure, with respect to evaluation, that targets and related indicators are applied in a meaningful manner to form an appropriate basis for monitoring and evaluation of performance</p> <p>Analyse difficulties in implementation and critical incidents in the light of experience gained during the previous programming periods (national and/or Community or other donor-assisted programmes)</p> <p>Assess the quality and the extent of partnership arrangements</p>	<p>Addressed in chapters 6 and 7</p> <p>Addressed in chapters 6 and 7</p> <p>Addressed in chapter 7</p> <p>Addressed in chapter 4</p> <p>Not addressed. The AL PA has not been made available</p>

Methodology and process

The *ex-ante* evaluation is prepared with reference to the draft guidelines for *ex-ante* evaluation for IPARD II, DG Agri, February 2014 and – as a complementary reference - to similar guidelines for *ex-ante* evaluations of rural development programmes under the Common Agricultural Policy (CAP) as prepared by DG AGRI (2013). The draft IPARD II *ex-ante* evaluation guidelines determine the objectives of the *ex-ante* evaluation and the indicative outline of the report.

The relevance of the *ex-ante* evaluation is achieved through a comparative assessment of a) the situational analysis in the Albanian agricultural and food sectors presented in the draft programme chapters 2 to 4; and b) the strategy, the selected measures and their design as presented in chapters 6 to 8. Efficiency is indicatively achieved through an estimation of the expected results and impacts generated by the programme interventions compared with the resources spent. Effectiveness is achieved by assessing the implementing structure in terms of the effectiveness of applied systems. The evaluation also provides recommendations to the beneficiary regarding possible improvements to the programme text reflecting initiatives to increase relevance, efficiency and effectiveness.

The project team uses a combination of qualitative and quantitative methods. These are:

- Desk research (see section 1.4 of this report for references and also annex 8.3);
- Personal interviews with representatives of relevant institutions, organisations and stakeholders (see annex 8.2 for a mission report describing all interviews accomplished);
- Group interview with stakeholders from the Albanian Food Industry (see annex 8.2);
- Quantitative analyses of data provided by Instat, Eurostat, MARDWA and the Agricultural and Rural Development Agency (ARDA); and
- Qualitative analyses of information and data using international recognised evaluation criteria.

The *ex-ante* evaluation team has accomplished over 25 *ex-ante* evaluations of rural development programmes over the last 20 years, of which more than 15 have been in EU accession countries. The experiences from these evaluations contribute to both the general and detailed assessment of the draft Albanian IPARD II programme.

The evaluation process has five phases with the indicated use of person-days:

- Desk research: 4 person-days
- Data collection mission to Albania (3 to 7 November): 10 person-days
- Analysis and reporting: 10 person-days
- Presentation of conclusions and recommendations and discussion of the implementation of recommendations with MARDWA: 6 person-days
- Finalisation of the *ex-ante* evaluation report: 3 person-days.

The *ex-ante* evaluation runs from 28 October to 15 December 2014 with a total input of 31 person-days, of which 12 are dedicated to environmental issues. The draft *ex-ante* report was submitted to the beneficiary on Monday 1 December 2014 and presented at a workshop held in the premises of MARDWA in Tirana on Friday 5 December 2014, 10.00 – 12.00, see annex 2 for the mission report. This final report is based on the written comments from MARDWA and DG Agri and on additional knowledge and data collected during the second mission to MARDWA, 3 - 5 December 2014.

Structure of the ex-ante evaluation report

The report is structured in line with the requirements stated in the ToR.

Besides this *ex-ante* evaluation report, MARDWA will also receive an electronic version of the IPARD II programme with track changes and comments inserted. MARDWA can find detailed comments on most of the chapters in this version.

Main references, sources of evidence and information

Throughout the report, the main sources and references are quoted in footnotes, directly in the text or in conjunction with tables. The main sources are:

- IPARD II programme 2014-2020, draft (MARDWA, 2014) ;
- Sector analyses of the Meat, Dairy, Fruit and Vegetables (F&V), Grapes and Wine, MAP, , Diversification, Aquaculture and Processing sectors (all studies updated or new, MARDWA, 2014);
- Gross margin calculations report (MARDWA, 2014);
- Inter-sectoral Strategy for Agricultural and Rural Development (ISARD)(MARDWA, 2014);
- ISARD progress reports and other related reports and documents;
- EU regulations related to IPA and Rural Development;
- Sectoral agreement, draft
- Draft guidelines for *Ex-ante* Evaluation, DG Agri, February 2014
- Instat data;
- Eurostat data;
- Interviews with stakeholders from the food industry and staff of the EU Delegation (EUD), MARDWA, National Food Authority (NFA), MA, ARDA and ISARD;
- Interview with the MoE.

WHAT PROBLEMS IS THE DRAFT PROGRAMME EXPECTED TO TACKLE?

Problems, risks and needs in terms of social, economic and environmental criteria

Economic and social problems and needs

To analyse the current situation in Albania does not provide the reader with a picture of a country who's agricultural and food sectors are prospering. On the contrary, the current situation is in many aspects challenging and also demands action at political level.

However, the overall *financial situation* in Albania seems problematic. To a large extent, public debt and the state budget deficit restrict the possibilities for the Government of Albania (GoA) to take the needed steps to stimulate economic development. This is also reflected in the reduced economic growth experienced over the last few years in Albania. Growth in the Gross Domestic Product (GDP) is lower now than it has been in many years, and the net investments in fixed capital are negative, indicating that the existing level of technology and mechanisation is not maintained, but is depreciated year on year without the required investments in substitution and new capacity. This is also mirrored in the high official unemployment rate, which suggests even higher unofficial unemployment, particularly in rural areas. The economy is at risk of entering a period of low growth or even recession due to lack of investment and increased unemployment.

This situation applies both to the economy in general and to the agricultural and food processing sectors. Despite the fact that data are presented without a fixed structure and are not completely in line with the context indicators presented later in this chapter and also discussed in chapter 3, the message is still clear. The importance of agriculture in the economic landscape is high, yet

the agricultural sector continues to suffer from a number of challenges and disparities as compared to EU Member States (MS) and other countries in the region (see section 2.3 below).

In spite of the above challenges and problems, the situational analysis also shows some growth tendencies in the various sub-sectors (poultry, dairy, F&V, etc.). The production of poultry meat has increased since 2007, investments in dairy processing have recently been made in order to modernise parts of the sector, the production of fruits and vegetables covering a wide range of products has increased by more than 30% since 2007 and now covers almost 1 million hectares (ha) and fresh fruit production has increased by an impressive 73% since 2007. These tendencies also prove the existence of a basic structure on which development can be built. An increasing share of commercial professional producers has been observed in all sub-sectors, although the share of these farms and processing enterprises is still low compared to the overall number of operators. Each sub-sector presents strengths and opportunities, which could drive development within an appropriate framework. These strengths are mapped in the supporting sector analyses and are also summarised in the Strengths, Weaknesses, Opportunities and Threats (SWOT) table in chapter 4 of the IPARD programme. They include the benefits stemming from a favourable agro-climate with a long and warm growth season ideal for many types of fruits and vegetables, from autochthonous varieties of plants and crops (olives, wine and fruits and vegetables) and from a long tradition of producing and processing a wide range of original and genuine Albanian products and foods.

The relatively high importance of agriculture and food processing to the overall economy (in terms of both its contribution to the GDP and the potential for sector development) demonstrates why agri-processing is a priority sector for the GoA. The implementation of the IPARD programme, together with other national and donor-driven programmes, may pave the way for the positive development of the sectors.

For rural areas in general, information is provided on the main *social* problems and challenges, emphasising the need for the stimulation of economic activities in agriculture and food processing. Migration from rural to urban areas is one of the biggest challenges facing the economy. The movement of younger, resource-strong and educated people from rural villages to the cities drains rural areas of life and vitality. The people left behind in the villages are older and less educated, the level of income is lower and the job possibilities fewer. Furthermore, the percentage of the rural population that is poor or at risk of poverty is higher than in urban areas. Finally, general quality of life (in terms of coverage of technical infrastructure and access to basic services within the social, health and education sectors) is lower in rural than in urban areas.

Environmental problems and needs

In general, compliance with environmental, food safety and animal welfare standards in the Albanian agricultural and food sectors remains low. A large number of agricultural holdings fail to comply with standards due to limited financial resources to upgrade facilities and technologies and a lack of awareness and knowledge of standards. The enforcement of legislation is also very weak, which creates a disincentive for investments to comply with standards.

Soil erosion poses a big problem, with 70% of the territory being eroded at a rate of 20 tonnes per hectare per year. The main factors causing erosion are the climate (altitude, mountainous terrain, rainfall and bare slopes) and human activities such as deforestation, irrigation with flow, decreased investments in the maintenance of agricultural land, and field and forest fires.

Due to the widely applied practice of burning stubble fields, the soil organic matter in arable land is being depleted. Inadequate farming techniques, non-application of crop rotation, decreased soil cultivation, low and unbalanced use of organic and mineral fertiliser and the use of ineffective measures for plant protection also contribute to the continuous degradation of

agricultural land. Fertiliser use per ha of arable land increased between 2004 and 2008, followed by a slight decrease to 83.3 kg in the period 2009-2013.

After the energy sector, the agricultural sector is the second-largest user of water (mainly in the form of surface water). Weak enforcement of water management standards results in high levels of water loss, as well as the risk of pollution and quality deterioration.

Nitrates are not systematically monitored, although chemical content in both freshwater and groundwater is regularly controlled. A comprehensive database of information on nitrate levels in lakes and groundwater is not yet available.

The total estimated area under the threat of flooding is more than 40,000 ha. A chain reaction resulting from overgrazing, deforestation and erosion ends in flooding, which is also accelerated by the poor maintenance of drainage canals and pumping stations.

The contribution of the agricultural sector to greenhouse gas (GHG) emissions is estimated to be 35% (7,956-8,540 tonnes of CO₂ in 2005-2006). Methane represents 78% of this share, mainly due to the enteric fermentation of livestock.

The production of energy from renewable resources, especially among the agriculture and forestry sectors, is still undeveloped, although there is potential to use forest wood, urban waste, agricultural residues, forest residues and animal waste. The current type of utilised biomass is mainly fuel-wood.

Cattle and small ruminant farms use out-dated technologies and equipment. Animals are kept in primitive tied-stall barns, often without windows. All work is done by hand, including the removal of manure. The larger specialised milk farms have better premises, but the majority use old existing buildings, which are only slightly adapted. There is often no electricity, stables are dark, and few farms have waste removal equipment, partly because labour is cheap. Farms lack proper waste management facilities and with very few exceptions, they have no manure storage or treatment facilities.

One of the biggest problems experienced by processing companies is the need to fulfil hygiene standards and the lack of equipment for waste disposal, especially in the meat sector. In general, micro-enterprises in the meat sector have no facility for the disposal of liquid or solid slaughter waste; i.e. there are no liquid or solid waste disposal systems in place. In general, liquid and solid slaughter residues are not treated according to hygienic and environmental requirements, but are directly disposed into sewer channels and dumped into landfills.

The establishment of food safety and quality systems has been initiated, but only among larger food processing companies. The premises and equipment used by the leading meat processing companies are modern and comply with national standards.

Of 418 registered dairies, only 26 have implemented or were in the process of implementing Hazard Analysis Critical Control Point (HACCP), ISO or similar standards for food hygiene in 2010. However, investments in compliance with environmental and waste management standards are extremely limited.

The slaughterhouse sector in Albania consists of a large number of small units, the majority of which use outdated equipment, and fewer than 20 slaughterhouses comply fully or partly with national standards. In 5 regions there is not a single slaughterhouse that complies with national standards. Consequently, hygiene standards are not met and liquid and solid waste material is simply dumped into landfill or washed away by the nearby river.

The environmental problems related to the Medicinal and Aromatic Plant (MAP) sector are caused by the use of improper harvesting techniques, followed by over-harvesting in certain areas. There is no obligation to respect quotas in MAP harvesting and this results in competition to secure a supply of products, leading to the overexploitation of natural resources.

Status of selected relevant legislation

Nitrates and Pesticides Directive

The bulk of the provisions of the Nitrates Directive (ND) have not been transposed into Albanian legislation and, with the exception of some definitions foreseen in the ND and provided by the Laws on Veterinary Services and Plant Protection”, transposition has not yet started. However, national legislation and action plans for legislative approximation to the ND have been elaborated and are pending adoption.

The MoE, together with MARDWA, is responsible for the identification of waters affected by pollution and the designation of nitrate-vulnerable zones, but according to the information available to the evaluation team, no decision has been made in this regard. Neither has MARDWA yet taken the necessary steps toward drafting an action plan for the reduction of nitrate pollution.

Environmental Impact Assessment

Law n° 10440 (2011) “On environmental impact assessment” sets out the requirements in place for Environmental Impact Assessment (EIA) in Albania. The rules, responsibilities and timeframes for conducting the EIA procedure are set out in Decision n° 13 of the Council of Ministers (January 2013).

The main shortcomings of current Albanian legislation as regards the EIA Directive relate to the provisions for i) the establishment of a procedure for consultation with environmental authorities, ii) public consultation, information and review procedures, and iii) trans-boundary consultation. These requirements have only partially been transposed into Albanian law.

The projects that are subject to EIA are listed in annexes 1 and 2 to the EIA Law. Annex 1 specifies the types of projects for which an EIA is always required (meaning that no screening is needed), while annex 2 lists the types of projects for which an EIA is discretionary (i.e. screening is needed). All projects listed in annex 1 are considered to have significant effects on the environment and require an EIA. Annex 2 lists developments that may have significant impact depending on their characteristics and location.

In the agri-food sector, EIA is obligatory for intensive poultry breeding (more than 10,000 birds), pig production (more than 500 pigs) and sheep/goat production (more than 1,000 animals).

Organic farming

Organic production is *still in its infancy* and is dominated by wild collection. In 2013 there were 51 organic operators, of which 27 were producers/processors, 19 were producers/exporters, 1 was an exporter and 4 were importers. The total area under organic production was 909 ha (0.1% of the utilised agricultural area (UAA)). Organic certification is more common for MAPs, under which 330,677 ha are certified, mostly for wild collection in rural areas.

Gaps remain in the legislation governing organic production, and the capacity of local extension services with respect to organic production standards is insufficient. The underdeveloped value chain and the weak linkages among manufacturers, processors/exporters and consumers constrain the further development of organic farming in Albania.

Data robustness

One main issue with the situational analysis is the lack of solid data on the situation in the sectors, the justification for interventions and the estimation of quantified targets and expected results and impacts. Without solid data the risk of unsuccessful interventions and even of counterproductive interventions increases, potentially resulting in loss of money and wasted opportunities.

One issue concerning the lack of reliable data is the informal structure of the sectors, while another is the lack of institutional power and resources to collect, process and report data. Aggregated macro-level data are relatively robust, but as soon as data are disaggregated by sector they become less robust and less reliable. Regional and district-level data are even worse affected.

Increasing the professionalism of the economic sectors and reducing the informal economy are two of the main objectives of the GoA and also of MARDWA. Strengthening the formal white economy should make data more reliable, while if appropriate institutions can obtain the resources and capacities to collect data in a transparent way, the data situation may improve over the coming years.

Driving forces, strengths and opportunities

The SWOT tables included in the programme summarise many of the issues described and analysed in the previous sections, although many topics not are documented quantitatively in the situational analysis. All in all, the SWOT is well prepared and only a few topics have not been placed correctly in the tables.

One important issue is that the controllable internal strengths and weaknesses are not related to the uncontrollable external opportunities and threats. This linkage is the primary motivation of the SWOT analysis and should show the MA how to i) take advantage of specific strengths in order to mitigate external threats and ii) use external opportunities to drive the development of the sectors.

A useful example from the situational analysis and SWOT tables is as follows: Increased international demand for products with protected geographical indication (an external opportunity) combined with increased tourism in Albania (another external opportunity) can be exploited if the agricultural sector takes advantage of the production and marketing of traditional high-quality products with a recognised protected geographical indication (an internal strength). However this will only happen if the relevant institutional framework is established and the transfer of advice and knowledge to farmers can be organised. This effort represents a possibility for a strategic action to be taken by MARDWA derived from the SWOT.

Another comment is that this linkage of S and W with O and T can and should be synthesised in the text. Thus it is recommended that MARDWA prepare a 1-page summary or synthesis of the main findings from the tables. These should specify the main driving forces in the sector, as well as the strengths and opportunities of which the sector can take advantage through appropriate strategic orientation. The example above can be supplemented with other examples.

The project team also recommends that the SWOT tables be moved to annex as it is only really useful to include the synthesis and the strategy orientation derived from the SWOT in the main text (such is the basic idea of the SWOT).

Causes of disparities identified

The situational analysis identifies and documents a number of disparities which justify interventions in the development of the rural economy in Albania. Some of these disparities are internal (i.e. between rural and urban areas) while others are external (i.e. between Albania and the EU). The disparities and their causes as identified and documented in the text are briefly summarised below.

Rural-urban disparities

The interlinked and interrelated disparities between rural and urban areas in Albania generate a web of issues which makes it difficult for the rural population to make a living at the same level as the urban population. The most essential disparities referred to in the situational analysis presented in the IPARD programme are as follows:

- Income levels in rural areas are considerably lower than in urban areas;
- Job opportunities are fewer in rural areas than in urban areas, meaning income-generating opportunities outside agriculture are also fewer in rural Albania than in urban Albania;
- The employment rate is lower in rural than in urban areas;
- The population in rural areas is older than in urban areas;
- The population in rural areas has less education than in urban areas; and
- Infrastructure and technology in the social, health and education sectors is more poorly developed and there is less coverage by infrastructure in rural areas than in urban areas.

The consequence of these interrelated disparities is that Albania, along with most other countries in the Balkans and in the EU, experiences migration from rural to urban areas. The younger and better educated leave the villages for a better life in the cities, which offer access to all modern services as well as functioning technical infrastructure. The older, less educated and weaker generation is left behind without opportunities for employment or income. The IPARD II RDP is the tool envisaged to break this vicious circle and revitalise the countryside.

Albania-EU disparities

The above urban-rural disparities must be seen in the light of the Albania-EU disparities particularly dominant in the agricultural and food sectors. These disparities include:

- Small-scale farming and processing: The average farm in Albania is smaller than 2 ha and the majority of food processing operators are micro-enterprises with less than 10 employees;
- Fragmentation: Each farm is composed of 4-6 parcels on average;
- Low productivity: Labour productivity is low due to low-scale production and a low level of mechanisation in both agriculture and food processing;
- Low product quality: Old and low-yield varieties and breeds produce low-quality products;
- Big post-harvest losses due to lack of storage and cooling facilities;
- Low level of investment in agriculture as well as in food processing;
- Low degree of organisation and integration of value chains: Lack of formal contractual agreements and trust between operators makes it difficult to ensure integration of the value chains and the provision of stable supplies to food processing operators and supermarkets;
- Low degree of professionalism, with a large share of Albanian production taking place in the informal economy without any monitoring of National Minimum Standards (NMS);
- Reluctance to trust institutions: The informal sector of the economy does not trust public institutions and does not respect laws and regulations; and
- Weak enforcement of rules and laws: Regulations and laws are not implemented to the extent expected due to limited political willingness to enforce the legislation.

Agriculture is the main economic sector in rural Albania and the development of rural areas will to a large extent depend on the development of this sector. Therefore, for the agricultural sector and the food processing sector to be able to match EU-average capacities in productivity and quality, a considerable effort is needed in terms of investment. Only through the systematic development of agriculture and the gradual elimination of disparities will rural areas be given the chance to develop and rural-urban disparities be reduced.

However, it must also be recognised that on the one hand, there is a huge number of small farms that cannot comply with the national minimum environmental and food safety standards and cannot afford the necessary investments while on the other hand, many bigger farms and food processing operators are looking for investment opportunities. This group is yet to upgrade to EU environmental and food safety standards and, in some cases, even to the minimum national standards.

Identification of target groups of interventions and their needs

Main target groups

The main target groups of the IPARD programme are:

- Registered, professional and viable agricultural holdings/family households in agriculture within the milk, meat, F&V and grape production sectors;
- Registered, professional and viable operators in the processing of agricultural products in the dairy, meat, F&V and wine production sectors; and
- Rural households, including agricultural holdings and micro/small businesses that aim and have the potential to diversify income generation and business development in rural areas in selected sectors.

The eligibility of potential recipients of support under the programme is determined and fixed in terms of quantitative production capacities (number of livestock units (LU), number of hectares of land etc.). These thresholds help to focus the programme on viable operators who are able to compete in a market-driven economy. Subsistence households in the informal sector will have no access to the support provided under the programme.

Needs

The needs of the target groups vary from one group to the next and from one sector to another. However, the cross-cutting needs all relate to the following main points (several of which are also referred to in the above discussion of disparities and their causes):

- Increased income generation;
- Better job opportunities;
- Increased scale of production;
- Increased scale of investment;
- Increased productivity;
- Increased product quality;
- Compliance with NMS and EU standards;
- An increased knowledge base; and
- Improved access to research, development and innovation through the public network of advisory services, Agricultural Technology Transfer Centres (ATTCs) and research institutions.

These needs are interrelated and are also to a large extent determined by other factors outside the scope of the IPARD programme, as described and presented in the Inter-sectoral Strategy for Agriculture and Rural Development (ISARD) endorsed by MARDWA and GoA in October 2014.

Among these fundamental challenges to the development of the agricultural and food processing sectors are the following: i) development of the land market in order to overcome problems with small-scale and fragmented farming; and ii) the development of infrastructure, including water management (supply, wastewater, flood and drought management), electricity and roads in order

to ensure effective and efficient production and permit access to the market during the winter and from mountainous areas. These needs are to the extent possible covered by other MARDWA interventions and by interventions from other line ministries reflecting the inter-sectoral character of ISARD.

The above list of general needs is not exhaustive, but is what the situational analysis presented in the draft IPARD programme documents quantitatively and to a larger extent also qualitatively.

Problems not addressed by the implementation of the IPARD II Programme

As indicated above, there are a number of important needs and challenges facing the rural, agricultural and food processing sectors that will not be tackled by the IPARD programme. Some of the problems and needs are not eligible under the IPA, while others are not included due to various reasons.

Eligible sectors not included in IPARD II

According to the sectoral agreement, annex 4, fish processing is eligible for support to small and medium-sized processors found not to be compliant with EU standards. There seems to be a need for this sector to upgrade from NMS to EU standards since it is to a large extent export-orientated. A new strategy for the fishery sector is being prepared with support from EU. The strategy will be submitted to MARDWA during the spring or early summer of 2015. A decision to include fish processing as an eligible sector under IPARD II should be based on the conclusions and recommendations of the new fishery sector strategy, and the project team recommends that MARDWA takes the new fishery strategy into consideration.

The production of olives and olive oil is not included in the IPARD II programme. The sector suffers from the same needs as other types of production in agriculture, but is covered by another complementary intervention supported by donor resources. The project team therefore recommends that MARDWA considers integrating the olive sector under IPARD II, *if* donor support programmes do not appropriately cover the sector, when the launch of the IPARD II programme takes place.

The forestry sector is not included, but is supported through other interventions implemented by the World Bank, the Swedish International Development Agency (SIDA) and the Global Environment Facility (GEF). The project team, therefore, also recommends that MARDWA considers integrating the forestry sector under IPARD II, *if* donor support programmes do not appropriately cover the sector, when the launch of the IPARD II programme takes place, as was the recommendation for the olive sector above.

Other needs not included

Land, water and infrastructure, including roads, are covered to the extent possible through other national schemes and programmes, also with substantial donor support. This is very important, since ISARD is an inter-sectoral strategy for development of agriculture and rural areas endorsed by the Council of Ministers and elaborated in close cooperation with relevant line ministries. The successful implementation of ISARD is thus dependant on the interventions undertaken by these line ministries in compliance with the demarcation and division of labour between them and MARDWA. IPARD II reflects these demarcations and the project team recommends that MA and MARDWA monitor the contributions from line ministries for the implementation of ISARD. MARDWA may then decide to re-orient IPARD II, if agreements of demarcations and division of labour are not met, when the implementation of IPARD II starts.

Finally, it must again be mentioned that a large group of rural households and farmers who fall below the eligibility criteria in terms of physical production will be left out and will have no access to support under the programme. It is thus important to find ways to support this sizeable

group in achieving compliance with minimum requirements, especially with regard to the proper storage of manure and the correct handling of waste and wastewater. These farms might be small individually but since their number is high, improper storage and handling of manure could have a cumulative negative effect. In this respect, access to small investments and simple solutions combined with appropriate information and capacity building could bring considerable improvements.

This important economic, environmental and social challenge must be and will be met through complementary support from donor programmes and national support schemes (as also stated clearly by ISARD). These complementary actions are briefly described in chapter 10 of the IPARD programme wherein, notably, it is stated that demarcations with some of the existing national and donor-driven programmes will be established “later”. The project team recommends that the MA develop and describe these demarcations now and insert them in the text in order to ensure their transparency (e.g. in the cases of sector prioritisation, geographical prioritisation and investment thresholds). The need for transparency is not only external, but also internal and related to the clarification of the political decision process.

Another smaller point is that reference is made in the programme to other regional financial instruments, but the relevant text is not complete.

WHAT ARE THE OBJECTIVES THAT THE DRAFT PROGRAMME IS EXPECTED TO ACHIEVE?

Overall policy objective and expected impacts

Chapter 6 of the IPARD II programme presents the vision of ISARD and describes how this vision is broken down into three policy areas, of which Rural Development is one. The policy area of Rural Development is then subdivided into four priorities defined according to the CAP and a number of measures selected partly from the IPARD framework and partly from the rural development regulations (RDR) of EU Member States. This is all well articulated with reference to ISARD.

However, there is no presentation as such of an overall objective of the IPARD II programme. The project team recommends that the overall objective of the IPARD II programme be summarised in one or two sentences.

The draft IPARD programme does not present a fully comprehensive and systematic intervention logic whereby the operational, specific and overall objectives of the programme are translated into quantified targets, although table 6.4 on page 57 refers to quantified targets and programme targets. Table 6.4 does not fully follow the guidelines from DG Agri. The table below for programme targets summarizes the comments from the project team on table 6.4, and it is recommended that table 6.4 be adjusted in line with the comments below.

Table 3.1 Programme targets from table 6.4 in IPARD II programme commented.

Guideline programme indicators	Programme targets in table 6.4	Evaluators' comments
<i>Number of projects having received IPA support in agri-food sector and rural development</i>	No programme target inserted in table	The total number of projects planned is 760
<i>Total investment generated via IPA in agri-food sector and</i>	EUR 123,000,000	The inferred figure is only for two measures (Agri holdings and Processing). The total

<i>rural development (EUR)</i>		figure should be EUR 145,314,103 according to the budget table 7.3.
Number of economic entities performing modernisation projects in agri-food sector	No programme target inserted in table	The total number of projects planned for modernization is 520
Number of economic entities progressively upgrading towards EU standards	No programme target inserted in table	The total number of projects planned for upgrading to EU standards is 610
Number of jobs created (gross)	500	Reference is only made to the Diversification measure, but the figure should refer to the total number of jobs created at programme level. Our estimate is 2,726 jobs.
Number of beneficiaries investing in promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in agriculture, food and forestry sectors	100	The total number of projects is 95 according to the measure descriptions.
	Increase of gross fixed capital formation in agriculture – EUR 52,000,000	According to the guidelines, the figure should not be included.
	For Agro environment measure and organic farming: to be added after elaboration of the measure	According to the guidelines, the figure should not be included. But the project team finds it relevant.
	For LEADER measure: % of rural population covered by local development strategies: 11 %	According to the guidelines, the figure should not be included. But the project team finds it relevant

As described later, MA could consider a reorganisation of the intervention logic at all levels. While it is obvious that the IPARD programme will feed into the vision of ISARD and into the policy objectives of rural development, it would still be relevant to include some specific text articulating the overall objectives of IPARD.

Section 6.3 on consistency between IPARD and the Country Strategy Paper (CSP) refers more directly to the objectives of the IPARD programme, which are:

- Support to investments in the agro-food sector which aim to improve competitiveness, compliance with EU standards and nature and environmental preservation; and
- Support to investments in rural areas, which aim to diversify the rural economy and enable business creation, leading to improved employment opportunities and social inclusion.

The key objectives are improved competitiveness, income generation through diversification and job creation.

The logic should specify i) whether the programme can contribute to improving competitiveness in agriculture and processing; ii) whether IPARD II can contribute to increasing income generation and the number of jobs in the sector; and iii) whether the programme can stimulate diversification of economic activities in rural areas, thus also contributing to the generation of income and jobs.

The relevant indicators can then be related to the following key concepts:

- Competitiveness: Development of the relative market shares of given products on a given market (for example the trade and production balances for wine or other products on the national market);
- Income generation: GDP *per capita* in rural areas and income generation by supported projects; and
- Employment: Number of jobs generated by supported projects.

Guideline measure indicators	Measure	Measure target in table 6.4	Evaluators comments
Number of projects	Agricultural holdings Processing Diversification	430 180 150	The heading <i>Number of projects</i> is not used.
Total value of investments	Agricultural holdings Processing Diversification		EUR 52.1 millions EUR 71.1 millions EUR 22.6 millions The numbers are not given for measures in table 6.4
Number of beneficiaries	Agricultural holdings Processing Diversification		The numbers are not given for measures in table 6.4, but they are expected to be identical with <i>number of projects</i>
Number of beneficiaries upgrading towards EU standards	Agricultural holdings Processing	430 180	
Number of jobs created	Agricultural holdings Processing Diversification	500	940 1159 627 A total of 5,452 jobs affected (new or maintained, estimated by the project team). No jobs inferred on table 6.4 for Agri holdings and Processing.

Number of beneficiaries investing in resource efficiency, low carbon and climate resilience	Agricultural holdings Processing Diversification		60 15 20 No figures inferred in table 6.4. data collected from measure descriptions
	Advisory services	Number of recipients of advisory services: 5000 Number of advisors trained: 200	According to the guidelines, the figure should not be included. But the project team finds it relevant.
	LEADER	Number of potential LAGs supported: 10	According to the guidelines, the measure should not be included. But the project team finds it relevant.
	Agro environment-climate and organic farming	To be added after elaboration of the measure	According to the guidelines, the measure should not be included. But the project team finds it relevant.

Specific and operational objectives; expected outputs and results

Table 6.4 in the draft programme also refers to quantified targets at result level, which are commented below and again it is recommended to follow the comments in the revision of table 6.4:

The project team is fully aware that the draft table 6.4 to a large extent follows the guidelines from DG Agri, but still the project team finds that the intervention logic could be better presented. As is the case at impact level, the logic is not sufficiently precise at result level. An example of a complete intervention logic will be presented in the next section for inspiration.

Baseline, output, result and impact indicators proposed for measuring the draft IPARD II Programme's success and assessment of their application

Context indicators used as baseline indicators

Table 3.6, page 32 in the draft IPARD programme presents the mandatory context indicators from MS rural development programming. It is appreciated that the context indicators are used in the programme document for two reasons:

- 1) It is important to use the context indicators as a tool to structure the situational description and analysis given in chapter 3 of the current IPARD programme. If all context indicators are covered, the description will almost by definition be comprehensive and in line with the requirements for that part of the programme. Thus, data on specific context indicators can be used in the analysis; and
- 2) Several of the context indicators will also be impact indicators and thus relevant as baseline indicators for the assessment of programme achievements at both result and impact level.

From the reading of the situational analysis it is clear that i) not all context indicators are used in the text and ii) those that are, are not used as the intended structuring tool. Furthermore, many indicators are not complete in the table, even though data for several indicators are available in the draft programme or from other sources (including Instat). These indicators can relatively easily be filled in. Where data are not available, MARDWA should describe how data will be collected in the future.

Target indicators for outputs and results

The following target indicators for outputs and results are mandatory in Member States and *can be used as inspiration for the quantification of targets at output and result level*. The indicators are structured in relation to the 6 EU CAP Rural Development priorities, plus an added set of horizontal monitoring indicators relevant to all priorities.

Indicators already included in table 6.4 of the draft IPARD programme are listed first, after which the project team has added extra indicators (in italics) under each priority, also used in ISARD, even though not mandatory under IPARD. Indicators are referred to as either output or result indicators. A few can also be referred to as impact indicators where this is considered relevant. One example is the number of jobs created. According to MS Common Monitoring and Evaluation System (CMES) terminology this is a result indicator, but if job creation is considered to be a horizontal overall objective of the IPARD programme, it is reasonable to use this indicator as an impact indicator instead.

Horizontal (monitoring) indicators:

- Number of projects, disaggregated by region, district and sub-sector;
- Number of projects, disaggregated by gender and age of the recipients (over or under 40 years at time of applying);
- Total eligible investments applied for, disaggregated by public funding (EU and national funding) and private co-financing;
- Total eligible investments contracted (commitments), disaggregated by public funding (EU and national funding) and private co-financing; and
- Total amount of accomplished payments of public funding (EU and national funding).

Priority 1 – Innovation and knowledge transfer

- Total number of participants trained by supported advisory services (see IPARD programme, table 6.4). Result;
- Number of advisors trained (see IPARD programme, table 6.4). Result; and
- Share (%) of public expenditure for measures relevant to innovation and knowledge transfer under the measure *Advisory services* in relation to the total public expenditure of the programme. Output.

Priorities 2 and 3 – Viable farms, value chain integration and competitiveness

- Number of agricultural holdings supported with modernisation projects (see IPARD programme, table 6.4). Output;
- Number of agricultural holdings upgraded to EU standards (see IPARD programme, table 6.4 for Measure 2). Output;
- Number of food enterprises upgraded to EU standards (see IPARD programme, table 6.4). Output;
- Increase in Gross Fixed Capital Formation (GFCF) in agriculture (see IPARD programme, table 6.4). Result;
- Total investments in modernisation and upgrading to EU standards in agriculture and food processing (see IPARD programme, table 6.4). Output;
- Share (%) of agricultural holdings receiving IPARD II support to investment in restructuring and modernisation. Result;

- Change (€/AWU) in agricultural output on supported farms. Result;
- Change (€/AWU) in Gross Value Added on supported farms (added by the project team.) Result;
- Change (€/AWU) in Gross Value Added among supported food enterprises (added by the project team). Result;
- Jobs (number) created on supported agricultural holdings (added by the project team). Impact;
- Jobs (number) created at supported food processing companies (added by the project team). Impact; and
- Share (%) of agricultural holdings supported with an IPARD II business development plan for young farmers. Output.

Priority 4 – Resource efficiency

- Number of supported agricultural holdings promoting resource efficiency and shifting toward a low-carbon, climate-resilient economy (see IPARD programme, table 6.4). Output;
- Share (%) of irrigated land having switched to a more efficient irrigation system. Result;
- Increase in the efficiency of water use in agriculture in IPARD II-supported projects (output per m³ water used). Result;
- Total investment in energy savings and efficiency (€). Output;
- Increase in the efficiency of energy use in agriculture and food processing in IPARD II-supported projects (output per mega joule of energy used). Result;
- Total investment in renewable energy production (€). Output; and
- Renewable energy produced from supported projects (tonnes of oil equivalent). Result.

Priority 5 – Climate mitigation and adaptation

- Livestock units (LU) covered by investments in livestock management in view of reducing emissions of N₂O and methane. Output;
- Share (%) of agricultural land under management contracts targeting the reduction of N₂O and methane emissions. Result;
- Reduced emissions of methane and nitrous oxide (measured in CO₂ equivalent). Result; and
- Share (%) of agricultural and forest land under management contracts contributing to carbon sequestration. Result.

Priority 6 – Territorial local development

- Number of agricultural holdings developing additional income through diversification (see IPARD programme, table 6.4). Output;
- Number of enterprises developing additional income in rural areas (see IPARD programme, table 6.4). Output;
- Jobs (numbers) created by supported projects (see IPARD programme, table 6.4). Impact;
- Share (%) of the rural population covered by local development strategies (see IPARD programme, table 6.4). Result;
- Number of LAGs supported (see IPARD programme, table 6.4). Output; and
- Share (%) of the rural population benefiting from improved basic services and rural infrastructure. Result.

Impact indicators

These impact indicators are mandatory in MS rural development programmes and can be used as inspiration for the IPARD II programme. As mentioned previously, several of these indicators can also be used as context indicators.

- Agricultural entrepreneurial income equal to family farm income (€);
- Agricultural factor income (€);
- Total factor productivity (TFP);
- Agricultural trade balance (€);
- GHG emissions from agriculture, including agricultural soil;
- Volume of water applied to soils for irrigation purposes;
- Water quality measured in terms of a) pollution by nitrates and phosphates; and b) pollution by pesticides;
- Organic carbon content in soils;
- Soil erosion in terms of a) estimated rate of soil loss by water erosion; and b) estimated agricultural area (or share thereof) affected by a specified rate of soil erosion by water;
- Rural employment rate (%);
- Degree of rural poverty expressed as the share (%) of the population at risk of poverty or social exclusion in thinly populated areas; and
- GDP *per capita* in predominantly rural regions.

A summary intervention logic table, proposed to replace the current table 6.4, is presented below. The quantified targets are equal to the expected achievements. The example is illustrative, intended for inspiration only and should be assessed carefully by MARDWA.

Table 3.3: Alternative intervention logic – combined implementation of stages 1 and 2

Measure	Input, total eligible investments (€)	Expected output	Results (generated by one or few measures)	Impacts (generated by several measures)
<i>Enhancing farm viability and competitiveness of agriculture and food processing, while progressively aligning with Union standards</i>				
Agricultural holdings	52 million €	Number of supported projects – 430 Number of holdings performing modernisation projects – 400 Number of holdings being progressively upgraded to EU standards – 430 Number of projects, disaggregated by	Increase in the agricultural GFCF – 52 million € <i>Change (€/AWU) in Gross Value Added on supported farms (added by the project team)</i>	Agricultural entrepreneurial income equal to family farm income (€) Agricultural factor income (€) TFP Labour productivity (€/AWU)

Measure	Input, total eligible investments (€)	Expected output	Results (generated by one or few measures)	Impacts (generated by several measures)
		<p>region, district and sub-sector</p> <p>Number of projects, disaggregated by gender and age of the recipients (over or under 40 years at time of applying)</p> <p>Number of investment projects in the modernisation of the agri-food sector and its upgrading to EU standards – 610</p> <p>Number of beneficiaries investing in the promotion of resource efficiency and supporting the shift toward a low-carbon, climate-resilient economy in the agriculture, food and forestry sectors – 100</p>		
Advisory services	3.2 million €	<p>Number of projects supported with staff training</p> <p>Number of projects supported with farmer training</p>	<p>Number of advisors trained – 200</p> <p>Number of recipients of advisory services – 5,000</p>	
Processing and marketing of agricultural and fishery products	71 million €	<p>Number of supported projects – 180</p> <p>Number of</p>	<p>Increase in the food processing GFCF – 71 million €</p>	

Measure	Input, total eligible investments (€)	Expected output	Results (generated by one or few measures)	Impacts (generated by several measures)
		enterprises progressively upgraded to EU standards – 180	<i>Change (€/AWU) in Gross Value Added among supported food enterprises per (added by the project team)</i>	
<i>Restoring, preserving and enhancing ecosystems dependent on agriculture and forestry</i>				
Agri-environment-climate and organic farming measures	1.8 million €	LU covered by investments in livestock management in view of reducing emissions of N ₂ O and methane	<p>Share (%) of agricultural land under management contracts targeting the reduction of N₂O and methane emissions</p> <p>Reduced emissions of methane and nitrous oxide (measured in CO₂ equivalent)</p> <p>Share (%) of agricultural and forest land under management contracts contributing to carbon sequestration</p> <p>Share (%) of irrigated land having switched to a more efficient irrigation system</p>	<p>GHG emissions from agriculture, including agricultural soil</p> <p>Volume of water applied to soils for irrigation purposes</p> <p>Water quality measured in terms of a) pollution by nitrates and phosphates; and b) pollution by pesticides</p> <p>Organic carbon content in soils</p> <p>Soil erosion</p>
<i>Balanced territorial development of rural areas promoting social inclusion, poverty reduction and balanced economic development</i>				
Diversification	22.5 million €	<p>Number of supported projects – 150</p> <p>Number of agricultural holdings/enterprises developing</p>	<p>Various, determined by the actions under the measures</p> <p>Beds occupied in tourist facilities (numbers)</p>	<p>Jobs created by supported projects – 500</p> <p>Rural employment rate (%)</p> <p>Degree of rural</p>

Measure	Input, total eligible investments (€)	Expected output	Results (generated by one or few measures)	Impacts (generated by several measures)
		additional or diversified sources of income in rural areas – 150	Tourists per night (numbers)	poverty expressed as the share (%) of the population at risk of poverty or social exclusion in thinly populated areas
LEADER	2.4 million €	Number of potential LAGs supported – 10	Share (%) of the rural population covered by local development strategies – 11% Share (%) of the rural population benefiting from improved basic services and rural infrastructure	GDP <i>per capita</i> in predominantly rural regions
Total (inclusive Technical Assistance)	155.2 million €	Number of projects supported (stage 1) – 760	Various, determined by the actions under the measures	Income generation (€) Jobs (numbers)

Coherence between programme objectives and the political framework for IPA II assistance and the indicative allocations for the main priorities as presented in the Country Strategy Paper and the IPARD II Programme

According to the September 2014 version of the Country Strategy Paper (CSP), the scope of the agricultural sector as a policy area includes (a) enhancing the ability of the agri-food sector to cope with competitive pressure and market forces and to progressively align with EU regulations and standards; (b) ensuring increased resilience to the adverse effects of climate change; and (c) enhancing food safety, veterinary and phytosanitary policies.

These objectives are explicitly reflected in the IPARD II programme, which aims to confront and resolve the challenges facing Albanian agriculture, food processing and rural areas in general. These challenges, summarised in the CSP, are all included in the situational analysis in the IPARD II programme, as also demonstrated in a previous chapter of this *ex-ante* evaluation report. Many challenges will be targeted through interventions under the IPARD II programme, while others will be targeted through other instruments fully in line with ISARD. There is a particularly important need to strengthen the institutional framework, from policy formulation via the elaboration of laws, by-laws and ordinances to the implementation and enforcement of the regulation.

The only sector not targeted through IPARD is that of fisheries (with the exception of aquaculture), although the preparation of a new strategy for the fishery sector may pave the way for a coordinated policy for its development under the IPARD II programme.

The conclusion of the project team is that there is full coherence between the CSP on the one hand and the ISARD and IPARD II programmes on the other in terms of objectives and content. Regarding financial resources, there is also coherence between the CSP and the financial plan of IPARD II.

WHAT ARE THE MEASURES PROPOSED?

Lessons learnt and evidence taken into account in designing the draft IPARD II Programme

The draft IPARD II programme is generally well prepared and experiences and evidence as well as lessons learnt from previous studies and interventions are taken into consideration as far as possible given the weak systems for the collection of lessons learnt in MARDWA.

The *ex-ante* evaluation of the first draft IPARD programme prepared in 2011 is considered to a large extent and evidence and data from sector analyses and other studies carried out in recent years have been integrated into the new programme. Also data and policy orientation presented in the ISARD is reflected relatively well in the IPARD II programme.

Furthermore and very importantly, the lessons learnt from GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit) and presented to the project team have also been utilised in the drafting and design of the new IPARD II. The project team had also the opportunity to participate in a workshop organised by GIZ and with participation from ARDA and MA staff. The workshop was very constructive and several lessons learnt were summarized and will be taken into consideration for IPARD such as the grant scheme for the next call and for the IPARD II programme. This is highly appreciated.

Some issues that needed addressing were i) stakeholder experiences of what is considered overly lengthy processing of applications by ARDA, ii) the insufficient length of project implementation periods and iii) problems with construction permits. All these experiences have been addressed by MARDWA and ARDA, although the implications regarding the processing of applications remain to be seen.

The project team is to some extent concerned about the effectiveness and completeness of the controls carried out by relevant national technical bodies, for example regarding hygiene, food safety and environmental standards in food industries, although representatives of the food industry said that in general, controls are now more frequent, better-quality and more of a task for the food industry operators. The project team thus infers that control procedures are being improved and that enforcement is stronger today than just a short time ago.

All in all, lessons learnt have been taken into consideration. However, no systematic collection of data on lessons learnt, either in general or from other policy instruments, currently takes place in MARDWA. Minor impact assessments of support schemes to the expansion of plantations were carried out during 2013, but MARDWA still needs to take steps to establish a new systematic M&E system (see chapter 7 for more details about this issue).

Baseline (needs and objectives) for the interventions envisaged

Needs and objectives for support to the development of agriculture and food processing, as well as for interventions related to the diversification of income-generating opportunities in rural areas and business development, are well described and analysed. This is particularly the case in the sector analyses prepared as background documents, but also in ISARD and the relevant chapters of the IPARD programme (sector needs are not described here but are summarised in the strategy description in chapter 6). For the cross-cutting challenges facing all sectors, see chapter 2.

Regarding environmental needs, there is a need to encourage investment in raising standards on animal breeding farms in order to improve raw milk hygiene (milking and cooling facilities), animal welfare conditions (housing, ventilation, etc.), and particularly, manure handling and storage.

The food industry sector needs to improve waste management practices and treatment of waste. Slaughterhouses still need to be upgraded to meet food safety standards. In addition, Albania lacks rendering facilities for animal products, which creates environmental and health risks.

Climate change is expected to significantly affect water balance in Albania. There is a need to modernise the irrigation and drainage systems, in particular to optimise the use of irrigation water. On-farm investments in energy and water-saving technologies, which should reduce costs and contribute to climate change mitigation and adaptation, are needed.

In addition, there is a need for the development of water and sewage infrastructure and waste collection and treatment in rural areas.

There is a need to reverse the current trend of environmental degradation due to unsustainable land management and farming practices resulting in land and soil erosion, water pollution and loss of biodiversity. This is particularly pronounced in the medicinal and aromatic plant (MAP) sector.

Measures applied to in view of achieving the IPARD II Programme's objectives

The IPARD II programme is fully in line with ISARD and contains at this initial stage four measures:

- Investment in the physical assets of agricultural holdings;
- Investments in physical assets concerning the processing and marketing of agricultural and fishery products;
- Farm diversification and business development; and
- Technical Assistance (TA).

All four measures are relevant and well justified according to the situational analysis, the supporting sector analyses and the overall political framework document (ISARD).

Specific issues to be considered for the individual measures are summarised below.

Measure 1 – Agricultural holdings

Complementarity

Some sub-sectors (olives are an important example) are not covered and the contribution of the IPARD II programme to ISARD objectives must thus be assessed in the light of other planned interventions, funded by both donors (Italian Development Cooperation, DANIDA (Denmark), GIZ (Germany) and others) and national support.

It is the opinion of the project team that the required complementarity exists among the various interventions and that ISARD in this respect plays its role as a coordination instrument in the hands of MARDWA, although this role will be further enhanced in the coming years according to MARDWA's plans to set up an Economic Analysis Unit and the planned establishment of a comprehensive and integrated Monitoring and Evaluation (M&E) system for MARDWA policies.

Minimum and maximum support levels

The current draft IPARD programme indicates a minimum support level of 10,000 € per project and a maximum support level of 500,000 € per project.

The maximum threshold is appropriate, although the minimum threshold could be re-considered in order to allow for an operational demarcation with national and donor support programmes with similar objectives (see complementarity above).

Taking into consideration the overall objectives of IPARD II, i.e. the programme's aim to support the development of compliance with EU standards and increase competitiveness on the national and international markets, IPARD will assign priority to the bigger farms and food operators with the best chances of fulfilling mandatory eligibility requirements including a viable scale of production, co-financing etc. While experiences from the *IPARD Like* grant scheme implemented during 2012 and 2013 show that absorption is restricted among potential recipients due to lack of formality in the sector, they also show that the success rate of *IPARD Like* applicants is increasing from call to call and that the recipients are taking responsible action and are formalising their farms and businesses (ownership of land is registered and ownership declarations are collected, farms are registered in the Farm Register and animals in the Animal Register, business operators are registered in the relevant register, etc.).

The project team recommends that the threshold be increased to 30,000 € of public support per project. Sector needs in terms of the number of farms showing low levels of production capacity, low productivity and low product quality are documented. Data on the distribution of production per size of farm are either fragile or lacking, although the situational analysis presented in the IPARD programme shows that almost 1,500 family farms (of a total 324,000 farms) have more than 10 cows and more than 12,000 farms have more than 50 sheep and/or goats. There are also enough potential recipients showing the required minimum scale of production in the F&V and viticulture sectors, although the numbers given may not be reliable.

Measure 2 – Processing and marketing of agricultural and fishery products

Fish processing

Fish processing in general is not currently included in the programme. Only the processing of fish from aquaculture is covered (under the *Farm Diversification and Business Development* measure). However, the IPA implementing regulation provides for the possibility of supporting investment in the fish processing sector in order to support compliance with EU standards. Therefore, the share of the fish processing sector which is not presently compliant with EU standards (typically, the smaller and medium-sized fish processors) could be considered for inclusion under the programme.

MARDWA is currently preparing a new strategy for the fishery sector in Albania that may contribute to justifying the inclusion of these additional activities under the *Processing* measure. It must be emphasised that the IPA implementing regulation does not authorise support to investments either in ports and harbours or on board the boats in the fishing fleet.

Minimum and maximum support levels

The project team recommends that the minimum support threshold be increased to 50,000 € for the same reasons as under the measure *Agricultural holdings*, i.e. to ensure i) clear demarcation with other interventions and ii) that IPARD II targets the most viable and competitive operators.

The maximum level is appropriate.

Value chain integration

One of the challenges facing the development of the agricultural and food processing sectors in Albania is the low degree of formalised cooperation among sector operators. One example of this is the lack of integration of operators in the value chains from primary production, via trade, to processing. Integration of the value chain through requesting reliable and trustworthy contracts and/or agreements with suppliers of raw materials for processing could be an important tool for MARDWA to ensure increased professionalism in the sector.

Measure 3 – Diversification and business development

Eligible investments

The formalisation of on-farm processing of food products is important given its significant role in the economy, with an estimated production value of 50 million € per year (compared to the GVA of the food industry of 91 million €) and over 17,000 employees. The project team thus appreciates the effort to support this sub-sector and to ensure that production complies with NMS and EU standards, depending on the market orientation of the products. Products targeting local markets and short value chains are only required to comply with NMS, while products targeting export markets must comply with EU standards.

It could be considered whether wool processing is eligible under this measure.

Minimum and maximum support levels

The project team recommends that the minimum threshold be increased to 30,000 € for the same reasons as under the previous two measures, i.e. to ensure i) demarcation with other interventions; and ii) that IPARD II targets the most viable and competitive operators.

The maximum level is appropriate.

Common conditions

Minimum production capacities after OR before the investment

The current draft IPARD II programme sets out specific minimum production capacities for individual types of production which serve as eligibility criteria. Agricultural holdings with less than a given number of animals or hectares under production will not be eligible for support since a farm generating a level of income appropriate to a family household is considered too small. The text in the IPARD II programme states that these minimum capacities must be achieved *after* the investment supported under IPARD II is finalised. This criterion is fully in line with the text in the IPA implementing regulation.

However, the threshold is determined based on a viability analysis of farmers, whereby farmers must produce enough to pay back a loan of at least 10,000 € required as minimum private co-financing of the investment. Furthermore, the support does not allow for the purchase of animals or land. Therefore the description of the measure in the IPARD II programme should state that the indicated production capacity must be in place *before*, and not after, the investment. This will make the investment even more feasible and sustainable, since the results and impacts of the investment will hopefully improve the economic situation of the household.

Standards

It must be stated as clearly as possible that operators applying for support under IPARD II must first comply with all relevant NMS across the entire farm or enterprise. The list of NMS is given in Annex of draft IPARD II programme and concerns food safety and quality, animal health and welfare, plant protection and environmental protection and will be further described in technical details in the guidelines for applicants. Relevant NMS vary between measures, and they must be controlled, verified and documented by relevant inspectors and controllers from relevant technical bodies such as the National Food Authority (NFA), the National Veterinary Services (NVS) – now be planned to be merged into one technical body under the auspices of MARDWA -, the MoE and others.

It must also be made clear that operators applying for support under IPARD II must comply with relevant EU standards for the supported investments, when the investments are accomplished. This must also be controlled and documented before final payment can be authorised.

These points are highlighted as the current implementation of *IPARD Like* is based on different and less restrictive eligibility criteria. There will be an urgent need for IPARD II communication to specify that these will now become stricter, even though information from the food industry indicates that controls are now more frequent and more determined today compared to what the sector has been used to.

Education/training requirements

For all measures, it could be considered to enhance the educational and/or training requirements of beneficiaries supported under the three measures. The current requirements are outlined in the description of the measures (in the case below for measure 1: *Agricultural holdings*):

“The recipient (if a natural person) or in the case of legal entities, the legal representative or employee at management level, must have a university degree or vocational qualification diploma in the agricultural field (agricultural or veterinary sciences, agricultural economics) or at least 3 years of work experience in agriculture”.

The requirement is either for formal education (university or vocational training) OR three years of experience in agriculture/food processing. It is the opinion of the project team that three years of experience in farming or food processing in Albania is very useful to current production practices, but it may be relevant to supplement this experience with formal training as part of the support to the farmer/business operator.

If the measure on *Advisory services* is implemented together with the current measures, it should be possible to link the support provided to farmers and other potential recipients applying for support under the production measures with support under the advisory measure.

In the case of support provided under *Agricultural holdings* and other measures, it could be a condition that the recipient of the support undergoes training by competent institutions (advisory services, ATTCs, universities, private companies) in the relevant practice, particularly regarding the use of technologies and production systems applied for under the measures *Agricultural holdings*, *Processing* and *Diversification*. The content of the training will of course depend on the type of investment applied for and the level of competence of the recipients.

The training condition could be applied to all interventions under MARDWA, i.e. not only to IPARD II.

Other measures

In line with the ISARD, the draft IPARD programme plans to implement the following few additional measures at a later stage:

- Advisory services;
- Agri-environment-climate and organic farming measures; and
- Implementation of local development strategies (LEADER approach).

The project team is of the opinion that the measure *Support to advisory services* in particular should be implemented earlier, and preferably as soon as possible. Experiences under the implementation of the *IPARD Like* grant scheme suggest that the provision of sound information and advice to potential recipients is crucial and of paramount importance. The better informed the applicants, the better the chances of success in the assessment of applications by ARDA. Support to the strengthening of advisory services and the training of potential applicants is very important and the *Advisory services* measure could be very useful in this respect. This is well described and argued for in chapter 17 of the IPARD programme. The launch of the advisory measure as early as possible will also be in line with the intentions and objectives of the Common Agricultural Policy (CAP) and its focus on innovation and knowledge transfer (priority 1; see also the training conditions for support suggested above). As the IPARD programme will be launched in 2017, MARDWA still has two years to prepare the procedures and the content of the actions to be supported under this measure.

This experience of the provision of information to potential beneficiaries should also be reflected in the planned communication activities for the promotion of the IPARD II programme. It is important that the communication plan be prepared as outlined in chapter 15 of the IPARD II programme and that the resources needed to implement it be made available under the Technical Assistance (TA) measure (see below). It is relevant to add here that the chapter on public hearings (chapter 13 in the IPARD programme) must be finalised with the inclusion of the stakeholder comments and how these comments have been addressed in the preparation of the final programme text. The hearing should also be repeated at a later stage before the final programme is made ready for implementation. This is important in order to stimulate interest among stakeholders to participate in programme implementation. Without stakeholder involvement and co-financing, there will be no programme implementation and no impact.

The comments above on the *Advisory services* measure also relate to the other 2 measures **Agri environment-climate and LEADER**, since all three can contribute to the development of local areas and regions (including mountainous areas and less favoured areas) and thus to the reduction of regional and urban-rural disparities.

Technical Assistance (TA)

This measure is important to MARDWA as a support tool for the communication of information about the programme and its implementation. Preparation for the National Rural Development Network (NRDN), described well in chapter 9 of the IPARD II programme, is also an important obligation under the TA measure. A well organised, well-structured and well managed network may contribute positively to the implementation of the programme and to the generation of the expected results and impacts.

All activities referred to under the measure are justified and reasonable.

One issue that may be considered is the explicit intention of the programme to finance analyses regarding the measures to be included in its next stage. In particular, studies of the content of and the need for the *Advisory services* and *Agri-environment-climate* measures should be financed through the TA measure. If MARDWA, as recommended by the project team, decides to include

these measures in stage 1 of the current IPARD programme, it will have to find another source of funding for these studies. MARDWA should be aware of this and should initiate discussions with the EU Delegation as and when relevant.

Intervention logic of each measure applied

The intervention logic as described for each of the 4 measures is appropriate and fully acceptable from a qualitative point of view.

A quantitative intervention logic, i.e. one that links allocated resources via the expected number of projects to the generation of a quantified level of results and impacts, has not been prepared. A few indicators are used at result and impact level, but it is not clear how the quantifications have been made, for example the creation of 500 jobs under the Diversification measure. A better explanation of the intervention logic in quantitative terms could be useful.

Balance among the measures applied in view of objectives pursued

In prolongation of the previous section the project team finds no justification for either the financial plan or the distribution of funds among the various measures. The quantification of targets at all levels should reflect the chosen objectives, which should in turn be reflected in the financial plan.

It is not clear from the draft programme where this justification comes from.

The measure that receives the biggest public funding is *Processing and marketing of agricultural products* with 35.3 million € equal to 37.9% of the total public funding. *Agricultural holdings* receives 33.3 million € or 35.7%, while diversification receives 14.6 million € or 15.8%.

The financial plan is inserted below:

Table 4.1: Financial plan, IPARD II 2014-2020

Measures	Total public aid (€)	Private contribution (€)	Total expenditures (€)
Investments in the physical assets of agricultural holdings	33,333,333	18,750,000	52,083,333
Investments in physical assets concerning the processing and marketing of agricultural and fishery products	35,333,333	35,333,333	70,666,667
Agri-environment-climate and organic farming measures	1,764,706	0	1,764,706
Implementation of local development strategies (LEADER approach)	2,444,444	0	2,444,444
Farm diversification and business development	14,666,667	7,897,436	22,564,103
Technical assistance	2,470,588	0	2,470,588
Advisory services	3,176,471	0	3,176,471
Total	93,189,542	61,980,769	155,170,312

Source: IPARD II programme 2014-2020, page 58

It should now be asked: i) why the balance is as it is; ii) whether it is objectively determined and what are the criteria; and iii) whether the balance instead owes to a political decision (and if so, what were the criteria).

A justification and explanation could be useful in order to provide a better understanding of the prioritisation and make the financial allocations transparent to stakeholders and the general public. A multi-criteria analysis can be used to justify the indicative allocation of resources on measures and on sectors. No multi-criteria analysis can by itself justify the distribution, but it can – as stated – be indicative. Two of the most important criteria are:

Economic contribution to the national economy

In Albania, agriculture contributes with EUR 1,800 million to GVA (95%), while processing contributes with EUR 91 million (5 %) in 2012.

Employment and number of operators (farms/enterprises)

Agriculture contributes with 500,000 AWU (95%) on 350,000 farms (99)%, and food processing with 18,000 AWU (5%) on 2000 operators (1%).

The immediate conclusion is that agriculture should have the main share of the support – between 90 and 95 % of the budget for these two measures, but the analysis of the situation in processing is that the costs for increasing capacity and product quality as well as enhancing compliance with national minimum standards and EU standards typically are much higher for processing operators than for farms. The project team is informed that the National Food Authority has undertaken a survey where the costs for fulfilling EU standards are estimated among 80 - 100 food sector operators, but the results of the survey was never communicated to the team. The data is very relevant for MA in the determination of the budget, the unit costs per investment (per project) and the expected demand from the sector. The data can complement the data included in the sector analyses.

Furthermore, the analysis of the situation demonstrates that a weak processing sector (due to lack of capacity and insufficient high quality) is a bottleneck for the development of the agro-food value chains. As a consequence the current relative distribution in GVA of the two main sectors is not by itself sufficiently good to be used, but must be complemented with other criteria. These criteria may include the description of the bottlenecks in the individual value chains and the description /assessment of their importance for the development of the economy.

Also environmental, nature and climate related criteria may be used to justify the distribution. Social criteria, for example the role of sectors for the life in rural areas, in mountain areas etc., may complete the picture and the multi-criteria model.

Finally a warning: the idea with the multi-criteria model is NOT to use a lot of resources in order to estimate the objective budget distribution model. The marginal utility of the resources spent may then be too low. As is well known also in the EU, it is difficult to rely exclusively on these criteria models, for example for budgets for accession countries, or for MS budgets for CAP interventions, and by the end of the day political concerns may play the biggest role. However, the indicative allocation may be well justified, and it may be robust for countering political and other challenges if it is at least to some extent based on these and or other criteria. These

considerations can be developed further, for example as an integral part of the upcoming FAO project supporting MARDWA in its overall M&E and policy design.

WHAT POSITIVE AND NEGATIVE IMPACTS ARE EXPECTED FROM THE MEASURES TO BE APPLIED?

Expected impacts of the measures to be applied (social, economic and environmental)

Economic impacts

Agriculture

The planned total investment in agriculture under IPARD II for the period 2014-2020 is 52.08 million €. The planned investment will cover 430 projects, each of which will have an average value of total eligible expenditures of 121,124 €. This level of total investment per project is similar to the average total investment in agriculture under *IPARD Like* (119,000 €).

The Gross Value Added of the agricultural sector in Albania is estimated at 1,807.5 million € in 2012 (ISARD, 2014). It is anticipated that the growth rate of GVA for agricultural holdings investing in new projects under IPARD II is 15%, which is reasonable since the annual rate of growth experienced in the sector was 10.6% from 2007 to 2012. Furthermore it is known that the preferred minimum Return on Investment (RoI) in the sector is a minimum of 15%. The growth in GVA of 15% is also justified from this observation since the investment will not be implemented if the expected growth in GVA falls below this level.

The generated GVA of the total investment of 52 million € is then 7.8 million €, which represents an increase of 0.43% of the GVA of the total agricultural sector.

The investments will be a combination of increased capacity on the one hand and increased productivity and quality on the other. If it is assumed that 50% of the projects target increased productivity and quality, then 50% of the investments will generate higher GVA with the same labour input. The GVA/AWU will then increase with the 15% in GVA. The average GVA/AWU was 3,615 € in 2012 and an increase of 15% will increase the GVA/AWU to 4,157 €. The same level of productivity is also assumed for the investments anticipated to target increased capacity. Thus, the increase in labour productivity will affect 1,879 jobs in agriculture, since the generated GVA of 7.8 million € is produced with an average GVA/AWU of 4,157 €. If 50% of the investments are in the creation of new jobs through increased capacity while the other 50% maintain existing jobs through increased productivity and quality, the number of new jobs created will be 940 and the total investment needed per job is 27,715 €. With the planned average private co-financing rate of 36%, the public expenditure per job is 17,750 €.

Agri-processing

The planned total investment in agri-processing under IPARD II for the period 2014-2020 is 70.6 million €. This is planned to be implemented through 180 projects with an average investment of 392,593 €. This level of total investment per project is comparable with the average total investment in agri-processing under *IPARD Like* (379,000 €).

The Gross Value Added of the agri-processing sector in Albania was estimated to be 91 million € in 2012 (Instat, 2014).

The project team anticipates that the growth rate in GVA for agri-processing enterprises investing in new projects under IPARD II is 20%. This is reasonable since it is known that the preferred minimum Return on Investment (ROI) in the sector is minimum 20%.

The generated GVA of the total investment of 70.6 million € is 14.1 million €, which represents an increase of 15.5% of the total sector GVA.

The investments will be a combination of increased capacity on the one hand and increased productivity and quality on the other. If it is assumed that 50% of the projects target increased productivity and quality, then 50% of the investments will generate higher GVA with the same labour input. The GVA/AWU will then increase by 20% of the GVA. The average GVA/AWU was 5,082 € in 2012 and an increase of 20% will increase the GVA/AWU to 6,100 €. The same level of productivity is also assumed for the investments anticipated to target increased capacity. Thus, the increased GVA will affect 2,318 jobs in agri-processing, since the generated GVA of 14.1 million € is produced with an average GVA/AWU of 6,100 €. If 50% of the investments are in the creation of new jobs through increased capacity, while the other 50% maintain existing jobs through increased productivity and quality, the number of new jobs created will be 1,159 and the total investment needed per job 61,000 €. With the planned average private co-financing rate of 50%, the public expenditure per job is 30,500 €.

Diversification

IPARD II plans to support 150 projects under the *Diversification* measure with a total investment of 22.6 million € (equal to an average of 150,427 € per project). The expected number of jobs created is 500, or 3.3 jobs per project (equal to 29,333 € in public expenditure per job created with a support rate of 65%).

The team anticipates that the projects will only be accomplished if the project holder expects the investment to generate a GVA of 10%. This is lower than in agricultural holdings (15%) and in processing (20%), but experiences from other countries suggest that this type of project will typically be complementary to other beneficiary activities and thus, a higher RoI is not required.

The total investments will then generate a GVA of 2.3 million €, or a little over 15,000 € per project. This is equal to 0.13% of the GVA of the agricultural sector. The average cost of an AWU is estimated to be 1,800 € due to the complementary character of the income generated through the activities. The generated GVA will then be able to support 1,254 jobs. If 50% of these jobs are new and 50% are existing jobs being maintained, the result is 627 new jobs. If the public costs per job equal 65% of the total investment, the price per job is 23,400 €.

This calculation identifies better job-generating potential under the *Diversification* measure than is currently planned in the IPARD II programme, which states that 500 jobs will be generated at a public cost of 29,333 € per job. The team calculates that the measure can generate 627 new jobs at a public cost of 23,400 € per job, and at the same time maintain a similar number of jobs.

Table 5.1: Expected economic impacts of the IPARD II programme 2014-2020

Topic	Measure 1	Measure 2	Measure 3	Total or average
Total investment expenditure, million €	52.1	70.6	22.6	145.3
Public investment expenditure, million €	33.3	35.3	14.7	83.3
Number of projects	430	180	150	760
Average size per project, €	121,124	392,593	150,427	191,184
Expected RoI, %	15	20	10	N/A
Generated GVA, Million €	7.8	14.1	2.3	24.2
Generated increase in sector GVA, %	0.43	15.5	0,13	1.27

Affected jobs, total, number	1,880	2,318	1,254	5,452
Generated new jobs, number	940	1,159	627	2,726
Maintained jobs, number	940	1,159	627	2,726
Public costs per new job generated, €	35,460	30,500	23,400	30,560

Source: Own calculations based on data from IPARD II and from ISARD, 2014.

The total number of jobs affected will be 5,452 AWU or full-time equivalent (FTE). Of these jobs 50% (2,426) are estimated to be new.

If all investments are implemented from the beginning of the programme period, the expected growth in GVA is 24.2 million € per year. If investments are implemented over the years, for example with 25% of the planned projects each year from 2017 to 2020, the impacts in terms of GVA generated will be lower. The implementation may be as long as 4 years (2017-2020) plus 3 years (N+3 rule) = 7 years. The later the investments are implemented the weaker the impacts will be.

If all new jobs are paid at an average annual wage of 3,600 € over 8.9 million € of the generated GVA will be paid to employees in the created jobs. Most jobs will be located in rural areas and will thus contribute to the economic growth of these areas, reduce disparities to some extent, and will under all circumstances ensure that the farms and firms benefitting from IPARD will contribute to better income-generating possibilities than would otherwise be the case.

Social impacts

Social impacts will include increased welfare and economic opportunities in rural areas for those able to take advantage of the possibilities provided by the IPARD II programme. These will be the stronger and younger farmers and rural dwellers who have the social and monetary capital to mobilise the needed resources, to recognise the need for and potential of IPARD, to prepare the applications and obtain all needed assisting documents and permits, and to mobilise private co-financing through either a bank loan or private sources.

On the other hand there will also be social exclusion and an increased risk of poverty for those households that are unable to professionalise or become integrated into the commercial sector. The older, poorly educated farmers will find it increasingly difficult to find a position in the market and will be squeezed out into the subsistence economy.

Other support schemes, such as the national and donor-funded schemes targeting this large group of semi-subsistent, non-professional family holdings with investment support and advice on how to improve their living conditions, will be relevant from all perspectives and are fully in line with the political ambitions of the Government of Albania as articulated in the ISARD.

Environmental impacts

Increase of agriculture production and food processing, more intensified agricultural production and diversification and development of economic activities in rural areas can lead to additional pressures and negative impact on nature and environment. However, enforcement and compliance with National Minimum Standards and EU standards will have a very important positive impact on the environment and nature. There is a number of minimum standards with regards to environment that beneficiaries have to comply with in order to be eligible for the investment. Before the investment is contracted the beneficiary needs to be in line with the national minimum standards and in line with the EU standards after the investment is performed. An overview of NMS in relation to individual environmental components/sectors is given in Annex 5.

There are a number of minimum environmental standards with which beneficiaries have to comply in order to be eligible for the investment. Before the investment is contracted the beneficiary needs to align with national minimum standards (NMS) as well as with EU standards once the investment is made.

The NMS for positive contribution to individual environmental components and sectors are shown in table.

In the Table 5.2, possible effects to individual environmental components are shown.

Table 5.2: Impacts on the environment and nature

Measure	Nature and biodiversity	Soil	Water	Air	Climate change
Investments in agricultural holdings	<p>There could be a possible negative impact on nature and biodiversity in general as a result of an increased and more intensified agricultural production.</p> <p>However, through enforcement and compliance with national minimum and EU environmental standards in agriculture, it is expected that the overall state of the environment will improve, which will have an indirect positive impact on nature, biodiversity and the landscape.</p>	<p>There will be a direct positive impact on soil through the construction and/or reconstruction of manure storage capacity, including equipment for its handling and use, and through the application of plant protection products using good agricultural and environmental practices for soil protection.</p> <p>This measure could have a negative effect on the soil as a result of increased and intensified agricultural production, which may lead to soil erosion, compaction and pollution.</p>	<p>There will be a direct positive impact on water through the construction and/or reconstruction of manure storage capacity, including equipment for its handling and use, and through the application of plant protection products using good agricultural and environmental practices for water protection.</p> <p>This measure could have a specific, localised negative effect on water quality as a result of increased and intensified agricultural production, e.g. due to spillages of chemicals and fuel and an increase in the amount of flushed water due to more impermeable surfaces.</p>	<p>This measure can have a direct beneficial effect on air quality (in terms of reducing ammonia and greenhouse gases) through investment in the construction of facilities for the storage of animal manure, the purchase of related equipment and the purchase of specific agricultural machinery for the efficient handling of animal manure.</p> <p>This measure could have a specific, localised negative effect on air quality (e.g. through dust and odours) as a result of increased and intensified agricultural production.</p>	<p>This measure can have a direct positive impact on the climate (greenhouse gas reduction) through investment in the construction of facilities for the storage of manure, the purchase of related equipment and the purchase of specific agricultural machinery for use in handling manure.</p>

Measure	Nature and biodiversity	Soil	Water	Air	Climate change
Investments in processing	Direct impact of investments in processing on abundance of biodiversity is highly unlikely. Moreover, through enforcement and compliance with national minimum and EU environmental standards in agriculture, it is expected that the overall state of the environment will improve, which will have an indirect positive impact on nature, biodiversity and the landscape.	Construction and/or reconstruction works may impact adversely on the soil, e.g. through compaction or pollution caused by spillages. Such activities may have a negative impact on soil erosion and soil processes. However, these negative effects are likely to be of a local and temporary character.	There will be a direct positive impact on water through the construction and/or reconstruction of facilities for wastewater treatment, water purification and utilisation of waste products and investment in the modernisation and construction of slaughterhouses and rendering facilities. Construction works associated with new buildings and other structures may have an adverse impact on water quality through, e.g., spillages of chemicals and fuel and an increase in the amount of flushed water due to more impermeable surfaces. However, these negative effects are likely to be of a local and temporary character.	Modernisation of processing facilities and investment in modern technology is likely to have a positive, lasting impact on air quality. Construction works associated with new buildings and economic activities may adversely affect air quality, e.g. through dust and chemical odours. However, these negative effects are likely to be of a local and temporary character.	Modernisation of processing facilities and investment in modern technology is likely to have a positive, lasting impact on the climate.
Diversification	Direct impact of	This measure may	There will be a positive	There will be a direct	There will be a direct

Measure	Nature and biodiversity	Soil	Water	Air	Climate change
	<p>investments in diversification on nature and biodiversity is not very likely. Moreover, through enforcement and compliance with national minimum and EU environmental standards in agriculture, it is expected that the overall state of the environment will improve, which will have an indirect positive impact on nature, biodiversity and the landscape.</p>	<p>have negative effects on the soil as a result of increased economic activity in rural areas. Construction works associated with new buildings and other structures may impact adversely on the soil, e.g. through compaction or pollution from spillages. Such activities may have a negative impact on soil erosion and soil processes. However, these negative effects are likely to be of a local character.</p>	<p>impact on water through investments in waste management systems and equipment for i) the purification of waters released from ponds and reservoirs and ii) monitoring water quality parameters.</p>	<p>positive impact on air quality through the establishment and modernisation of plants for renewable energy production (e.g. bio-diesel, biogas, wind, photovoltaic). Possible negative impacts on air quality may result from increased traffic due to increased economic activity in rural areas. These effects are likely to be of a local character.</p>	<p>positive impact on the climate (greenhouse gas reduction) through the establishment and modernisation of plants for renewable energy production (e.g. bio-diesel, biogas, wind, photovoltaic). Increases in the income, employment, mobility and growth of new firms are likely to lead to greater demand for goods, travel and energy and thus to cause an increase in greenhouse gas emissions on a small scale.</p>

Impacts expected over time (direct/indirect)

Expected impacts should become apparent in accordance with the implementation of the IPARD programme. The financial plan anticipates the launch of the programme in 2016, although this will probably not be possible due to a lack of approved institutional capacity, even though the project team cannot be sure about this assumption. The project team thus anticipates that the 145.3 million € in total investment will be distributed over 4 years from 2017 to 2020, with an annual average of 86.3 million € per year. The implementation period may be as long as 7 years until 2023, but this is not addressed here. The only conclusion is that the longer it takes to implement the programme the weaker the impacts will be, and the lower the accumulated impacts over time. The aggregated and accumulated impacts are presented in the table below.

Table 5.3: Aggregated and accumulated impacts over the programming period 2017-2020

	2017	2018	2019	2020	Total aggregated impacts
Total (public and private) investments, million €	86.3	86.3	86.3	86.3	145.3
Number of projects	190	190	190	190	760
Generated GVA, million €	6.05	12.1	18.15	24.2	60.5
New jobs	681	681	682	682	2,726

Source: Own calculations, based on table 5.1 and the financial tables in IPARD II, page 56

The speed of project implementation will rely on demand as well as supply. Implementation in the latter case will to a large extent also depend on the capacity of ARDA and other technical bodies and institutions to carry out their obligations in the process. This issue relates to the authorities and their legal basis, competences, capacities and mandate to issue various permissions, for example building permits, environmental certificates, declarations of ownership etc., to i) technical bodies (to carry out on-the-spot controls) and ii) ARDA (regarding the preparation of calls, processing of applications and payment claims, etc.). In the table above, the project team anticipates that ARDA is able to manage the implementation of calls and to process about 400 applications per year with an anticipated approval rate of 50%. Chapter 6 will further discuss whether this is possible.

Demand may also play a role. The level of investment envisaged under IPARD II is relatively large compared to current investment in the agricultural and food sectors in Albania. In the case of food processing, the required private co-financing of the total eligible investments supported under the programme is 8.33 million € per year. This is almost equal to the gross fixed capital formation (GFCF) of the food sector in 2012, which was 9 million €. This means that the absorption of IPARD support by the food sector is dependent on a private investment level equal to the total investment level of the food sector in 2012 – an indication that full absorption may be difficult.

Potential conflicts between different impacts

Increased professionalism may increase disparities in rural areas and threaten the non-professional farmers and food processors, eventually leading to their exclusion from production.

The impacts on nature and the environment of increased and intensified agricultural production will be negative on the one hand, but on the other hand the enforcement of compliance with NMS and EU standards will have a very important positive impact on the environment and nature.

Stakeholders who may be (positively or negatively) affected by the IPARD II Programme

The main stakeholder groups that will be affected by the programme are summarised below:

- Farmers within the prioritised sectors and businesses supported (food operators, tourist operators and others) will be positively affected through the increased turnover and GVA achieved with the help of investments in the development of capacity, productivity and product quality;
- Rural areas and rural dwellers will generally be positively affected through increased income, more jobs and better and more diversified income-generating possibilities;
- In addition, professional farmers both within and outside the prioritised sectors, as well as food sector operators *not* supported by IPARD, will be positively affected through the increased professionalism of the sector. This increased professionalism will both necessitate and stimulate a general increase in investment in the sector and will pull the sector in a more competitive direction;
- Consumers will be positively affected through a supply of better and safer products with NMS and EU standards in place and controlled. In addition, general improvements in environmental and nature protection will benefit of the general population in Albania;
- Nature and the environment will benefit from the application of NMS and EU standards; and
- The State and MARDWA will benefit from the successful implementation of the programme through increased overall economic growth and employment.

HELPING TO ACHIEVE COST-EFFECTIVENESS

Assumptions on which the expenditures of the draft programme are based

Although not stated explicitly in the draft IPARD II programme, it seems that the basic assumption for the financial plan is an IPA allocation for rural development equal to 71 million € or 18 million € per year over four years (see also section 4.5 of this draft report).

This allocation is then matched with national public financing (22.2 million €) and national private co-financing (62 million €) to achieve the total planned level of investment of 143.5 million €

Financial planning is then based on experience from the implementation of *IPARD Like* regarding the unit total investment cost per project, which is positive and appreciated. Based on these average costs under *IPARD Like*, the number of expected projects is generated: 430 projects under *Investments in agricultural holdings*; 180 projects under *Investments in processing* and finally, 150 projects under *Diversification* and *Business development*.

The prioritisation among measures is not justified in the programme and could be better explained in order to show the assumptions behind the distribution of funds between sectors.

Financial and human resource costs of the draft IPARD II Programme

The financial and human resource costs of the programme relate to its implementation, including the costs of managing all procedures from the tendering of calls to the issuing of payment authorisations. Most of these activities are accomplished and managed by MARDWA (the MA) and ARDA. The operating structure is described appropriately in chapter 11 of the IPARD II

programme and its effectiveness is verifiable in the case of Albania, since the structure has been established and tested through the implementation of the *IPARD Like* grant scheme and supported by the ISARD project.

In order to assess the expected resource costs of IPARD II, the implementation of *IPARD Like* during 2012 and 2013 is taken as a point of departure.

Lessons learnt mapped by ARDA

Lessons learnt from the implementation of *IPARD Like* are described by ARDA in two reports submitted to the project team, one of which is the ARDA Internal Audit report from an internal performance audit of project approval and OTS checks prior to the approval of applications for the implementation of the first call under the *IPARD Like* grant scheme.

According to ARDA, the Internal Audit gives reasonable assurance that the internal controls in ARDA are functioning as designed, with only minor problems or omissions that have no financial impact. The internal controls carried out by ARDA staff are strengthened through *ex-ante* controls implemented by GIZ experts and the system ensures good-quality implementation of *IPARD Like* through the contracting of eligible applications. The minor omissions identified in the audit owe to i) lack of an audit trail for the performed checks; ii) the content of the case file; iii) the authorisation and date of the checklists; and iv) other omissions that have no financial impact on the application of procedures for either a) OTS checks prior to approval or b) project approval.

There are however other findings which may have a major impact on the correct implementation of IPARD 2014-2020, since one of the objectives of the *IPARD Like* grant scheme is to set up the procedures for IPARD 2014-2020. These more serious issues concern a) the lack of normative guidelines at national level necessary for the correct assessment of the business plan; and b) lack of reliable data on property ownership due to a weak and poorly functioning cadastre system in Albania.

The project team is fully aware of the problems with the cadastre system, which make it difficult for landowners to document their ownership or rental of land. Confusion among farmers occurs often, and mistakes as to who owns which parcel of land are frequently seen. However, the project team also observes that progress is being made regarding this issue and that ownership declarations are now being issued and submitted in increasing numbers to farmers and other landowners. This problem should be manageable over the remaining couple of years before the implementation of IPARD II.

The other issue highlighted by the ARDA audit is the lack of guidelines for the assessment of business plans – regarding which the project team refers to annex 2 of the IPARD programme, which contains relevant brief instructions. References are made in the annex to guidelines and manuals for assessment, suggesting that the problem has been solved and that the omissions and problems caused by this issue have been overcome.

Lessons learnt summarised by GIZ

In a very comprehensive summary note, GIZ concludes on the lessons learnt from the first three calls under the *IPARD Like* grant scheme. They conclude that the grant application and payment claim processing time has decreased significantly and that the quality of the assessment performed by ARDA staff has improved from call to call. The project team takes this as a clear indication that there is a positive learning curve among staff in ARDA and that the learning-by-doing approach with the supervision of GIZ experts is proving valuable.

In March 2013 GIZ prepared a Workload Analysis (WLA) regarding staffing needs for the continued implementation of *IPARD Like* or the implementation of IPARD II. The analysis remains relevant from a planning point of view.

The WLA shows the amount of additional needed staff for the years 2013, 2014 and 2015 if each call includes 100 applications and 50 payment claims and 2 calls take place per year. 19 additional staff would be needed for 2013, 11 for 2014 and 14 for 2015, totalling an additional 44 staff on top of the current 52 staff in ARDA.

The assessment of the required workload is based on i) the job descriptions of each of the functions in the 8 directorates of ARDA and ii) experience from the first 3 *IPARD Like* calls. In other words the WLA is based on both theory and practice, which seems to be a good combination.

The GIZ note on lessons learnt also includes some observations regarding the management of ARDA and the MA in MARDWA. According to GIZ, ARDA management should further improve its administrative accountability to ensure sound financial management and control, further develop capacities (in terms of both quantity – see the WLA above – and quality) to manage funds, provide incentives to increase motivation and ownership by staff, implement effective HR policies including for substitution and retention, and enforce sound anti-corruption measures, including segregation of tasks, 4-eye principles and independence from political influence.

While it is beyond the scope of this *ex-ante* evaluation to verify these observations, the project Team Leader (through his work in MARDWA since 2012) confirms that they are relatively indicative of the needed actions.

Regarding the functioning of MARDWA as Managing Authority, GIZ summarises that MARDWA should strengthen the position of the Head of MA in its ministerial hierarchy and employ more staff to fulfil MA functions in parallel with the increased number of rural development measures under the IPARD II Programme. These observations are fully in line with the experiences of the TL of the project team.

Also relevant here is a group interview held by the project team with representatives of the food industry and individual processors. The experience from the food industry was that the 4-month project implementation period was far too short for the first calls and was considered prohibitive to bigger investments that required the contracting and construction of new machinery. This problem seems also to have since been solved, since the implementation period for the fourth call in 2015 will be longer (up to 18 months).

Another experience from the food industry was that the processing of applications by ARDA and GIZ was far too demanding and time-consuming. The food industry representatives expect that the time required to process the applications will be reduced in the future. For the food industry, the time spent waiting for the approval of an application was time wasted, during which no action was possible related to the investment. The amount of time spent on contracting and the processing of applications should thus be reduced to the extent possible.

Workload estimation for the implementation of IPARD II

If it is anticipated that the full implementation of IPARD starts in 2017, the project team has prepared the following workload estimation for the implementation. In the meantime until 2017 ARDA will most likely implement at least one more call under the current *IPARD Like*, and another EUR 4 million grant scheme under IPA 2013. If it is assumed that these calls will be implemented with the additional staff indicated in the WLA, the number of staff in 2017 will be 95. The implementation of IPARD II is planned to contain 780 approved projects. With a success rate of 50%, this requires around 1,600 applications. Implemented over four years, this implies a total of 400 applications per year in one, two or more calls (the more calls, the higher the cost), if implemented over these four years, and that the N+3 rule is not used.

Table 6.1: Workload per task, person-days and person-years for five selected directorates of ARDA, 400 applications per year, 2017-2020

Tasks to be performed by ARDA staff	Workload (person-days)	Total
<i>Directorate for Project Selection and Approval</i>		
Receipt, opening and registration of applications (first and second control)	1	
Completeness and compliance check (first and second control)	3	
Eligibility check (first and second control)	3	
Contracting	3	
Monitoring of investment	1	
Amendment of contract	2	
<i>Sub-total 1 application and sub-total workload for 100 applications</i>	<i>13</i>	<i>1,250</i>
<i>Directorate for Payment Authorisation</i>		
Receipt, opening and registration of claims (first and second control)	3	
Completeness and compliance check (first and second control)	6	
Checking of the use of other funds	2	
Authorisation calculation	5	
Preparation of notification of payment to the DEP	2	
<i>Sub-total for 1 payment claim, workload for 100 applications for payment claims</i>	<i>18</i>	<i>1,800</i>
<i>Directorate for On-the-Spot Controls</i>		
Preparation for OTS	4	
Performing of OTS including supervision and submission of OTS report (before contracting as average working days per control)	8	
Performing of OTS including supervision and submission of OTS report OTS (before payment as average working days per control))	8	
Additional OTS	4	
<i>Sub-total for 1 application, workload for 100 applications and 50 payment claims</i>	<i>24</i>	<i>1,609</i>
<i>Directorate for Execution of Payment – Sector for Execution of Payment and Debt Management</i>		
Monthly, Quarterly and Annual Financial Planning	4	
Preparation of cash flow forecast	3	
Preparation of request for funds	3	
Preparation of payment orders	2	
Registration of executed payment	2	
Return of funds (by recovery from beneficiary)	10	
<i>Sub-total for 1 application and workload for 100 applications, payments etc.</i>	<i>24</i>	<i>675</i>
<i>Directorate of Finance – Sectors of Accounting and Reporting</i>		
Regular bookkeeping (journal and other records)	2	
Preparation of financial statements	2	
Preparation of forms D1 and D2	10	
Coordination with Debt Management and execution of payment for reconciliation	3	
Collection of data for reporting	15	
Consolidation of data for final report	20	
<i>Sub-total for 1 application and workload for 100 applications,</i>	<i>52</i>	<i>576</i>

Tasks to be performed by ARDA staff	Workload (person-days)	Total
<i>payments etc.</i>		
Total person-days for 100 applications, 50 projects approved		5,910
15% other tasks and commitments of staff, person-days		887
<i>Grand total, person-days</i>		<i>6,797</i>
175 person-days per year		175
Workload for 100 applications and 50 projects approved, person-years		39
Workload for 400 applications per year 2017-2020, person-years		155
<i>Workload for 230 applications per year 2017-2023 (N+3), person-years</i>		<i>90</i>

Source: GIZ WLA, 2013 (submitted to the project team November 2014) and own calculations

Assuming that ARDA has 52 staff today and will have an additional 44 staff by the end of 2016 (according to the GIZ WLA), an additional 60 staff should be required from 2017 according to the modified WLA above.

However, based on experience of the first 3 calls under *IPARD Like*, the project team can expect a 10% increase in staff effectiveness over the next two years with continued practice and learning by doing (as per the lessons learnt provided by GIZ). This will reduce the need for staff by 10% (i.e. 15 of the predicted 155 staff). The additional number of staff needed will then be 45 and the total staff in the five above directorates will be 140 from 2017.

No assessment is made here of the number of staff needed in the 3 horizontal directorates, namely the Directorate for General Affairs, Directorate for ICT and Sector for Internal Audit.

If the implementation period is extended to 2023 using the N+3 rule, the average number of applications per year will be 230 and the staff workload will be 90 per-years. This number of staff is what can be expected will be reached in 2017, if the planned recruitments are accomplished by then. The last row in the table above presents this estimate.

Thus, an update of the WLA is required in order to verify real needs in the light of i) the expected number of calls and planned projects under IPARD II; and ii) the predicted learning curve of ARDA staff, generating an annual increase in effectiveness of (e.g.) 10%.

Furthermore, given that ARDA should be the central Paying Agency in Albania for support related to agriculture, forestry and fisheries, the WLA should also consider other national and donor-driven programmes and support schemes under both implementation and preparation. A longer implementation period of IPARD II, for example to 2013, will make it easier for ARDA to integrate other support programmes and national schemes into the work portfolio of the agency.

Benchmark effectiveness – the case of Denmark

Projects under the Danish Rural Development Programme (RDP) are divided into three types: Simple projects such as technology-orientated projects, meso-complicated projects such as investments in the re/construction of livestock production facilities etc. and, finally, complex projects such as integrated biogas facilities etc.

For simple technology-orientated projects, the period for processing an application from the point at which the application is uploaded on the Ministry website to the accomplishment of payment is 8-10 hours, plus 1 hour for administrative and physical control before payment. 5% of all projects have a more comprehensive physical control of 5 hours. In total for simple projects, around 8-10 person-years are used for 1,500 applications with a success rate of 100%.

Only four eyes assess each application from the completeness check to signature for contracting. Four other eyes authorise and accomplish the payment. Staff are limited in number and specialised in specific measures. Backup staff are taken from other sectors responsible for other RDP measures in the case of emergency (e.g., illness).

Meso-complex projects demand double the staff: 16-20 person-years for 1,500 applications. The need for horizontal staff is generally considered to be low.

Effectiveness depends to a large extent on the type of project and the IT system used. The use of web-based applications, where all documents are uploaded by the applicants, is making the processes very effective. No data entry is needed as all data are automatically transferred from one document to another throughout the process.

Source: Interview, Danish AgroFish Agency, Ministry of Food, Agriculture and Fisheries

Finally, and while it may be unfair to compare ARDA and the WLA with Denmark, the project team has inserted the above text box concerning the time spent on processing project applications by the Danish Paying Agency. The time spent on, e.g. 1,600 applications for investment support to technology-orientated projects is 1:50 in Denmark compared to Albania; i.e. where Albania uses 100 person-days, Denmark uses 2. Comparisons with other countries in the region with the same level of experience as Albania could perhaps be more useful and may show the effectiveness of ARDA to be comparable with these other countries, and figures provided by GIZ from the former Yugoslav Republic of Macedonia and Croatia tell exactly that story. However, the Danish benchmark is relevant to all countries and shows that effort could and should be made by MARDWA and ARDA to increase the effectiveness of the latter (if not to reach the Danish level in 10 years, then at least to recognise that more can apparently be done to optimise the processes).

Assessment of whether expected results can be achieved at a lower cost

To what extent can the IPARD II programme generate the results and impacts expected in the draft programme, in another way and at a lower cost? There are two levels to this question, which concern i) the efficiency of the investments in physical projects, and ii) implementing procedures (the latter having been covered in the previous chapter).

No data are available at either ARDA or MARDWA on the efficiency of physical projects. Neither do there seem to be any data or research results available in the academic sector in Albania. A meeting organised between MARDWA and four professors from the Agricultural University of Tirana confirmed that data and knowledge on the efficiency of policy interventions is scarce in Albania (see the mission report in annex 8.2 for contact details). An attempt to evaluate current national support schemes has not yet demonstrated any results, but will provide valuable information for future programming.

The conclusion is that a new system should be set up to generate these data for future analyses and policy decisions. A comprehensive M&E system can be established for this purpose and can be ready for operation before the expected (by the project team) launch of IPARD II in 2017. The data from the system can generate data on the efficiency of both i) the individual types of investment projects and ii) the individual measures and types of interventions. For example, the collection of data by such a system can compare the investment costs of the creation of a single job among both sectors and interventions. The M&E system currently in place in ARDA and planned for IPARD II will be assessed in the next chapter.

MONITORING AND EVALUATION

Implementation of the monitoring and evaluation system

The establishment of a Monitoring and Evaluation (M&E) system is mandatory from a regulatory point of view and is highly relevant for MARDWA given the need to select the right interventions based on appropriate data collection and analysis. M&E systems can – if they are well developed – contribute to the generation of more value for money than would otherwise be the case.

The M&E system is presented in chapter 11 of the IPARD II programme. The description is of good quality and provides the reader with detailed information about the system, its objectives and relevant actors. One minor observation is that the Evaluation Plan is not included in the draft programme and it is stated in chapter 11 that this will be prepared at a later stage. The project team however recommends that the evaluation plan be prepared now in order to plan evaluation activities, plan data collection and allocate the necessary budget from the TA measure.

An M&E system is already in place for the *IPARD Like* programme and the IPARD II M&E system will build on this system. It must however be emphasised that the *IPARD Like* M&E system is not operating optimally, primarily because it was not designed to generate data other than what is required by the EC as minimum basic monitoring data (see section 3.3 for details of the indicators).

The M&E system is based on an electronic data processing system (*IPARD Like* software) developed to purpose by GIZ. The system was intended to ensure transparent, sound financial management and control of grants under the *IPARD Like* grant scheme and to provide an audit trail, which is considered by GIZ to be unique in the IPARD preparatory phase.

The GIZ ISARD Project commissioned an Albanian IT company to undertake the programming of the data processing system using compatible open-source software, which also complies with the required security standards. This IT solution meets the basic requirements to provide a transparent audit trail and deliver monitoring data to the MA. The system was developed to a very low budget and cost only a few tens of thousands of €

GIZ experts demonstrated the system to the project team and it was clear that the system on the one hand is highly operational and supportive to ARDA staff in their administration of procedures.

However, it is important that the software in the system be improved as regards both the mapping and reporting of resource use and the time spent on the various administrative steps involved in the procedure. All steps have already been included in the system and it would require only minor modification to organise and enter data in a way that makes it possible to generate the needed reports to improve the system from the perspective of administrative management.

Another more difficult issue is the collection of data linked to M&E. The system will continue to work well as long as the requirements of the MA remain restricted to basic monitoring data on physical indicators for outputs and financial indicators for inputs. Data can be collected and presented in pivot tables without any problems, as has been demonstrated to the project team.

However if MARDWA decides to enhance the M&E effort not only in relation to IPARD II but also in relation to other national and donor-driven programmes, then a more comprehensive M&E system will be necessary and the need will arise to rethink the system in terms of data collection, storage, analysis and reporting.

The project team understands that the system will be improved by GIZ over the coming months. It will then be of *paramount importance* that MARDWA takes the opportunity to discuss and decide on the content of the M&E system in order to integrate the modifications into the improved IT system.

Indicators to be used for measuring inputs, outputs, results and impacts

The indicators to be used in the M&E system should consist of the following three groups:

- Standard monitoring indicators (financial and physical related to inputs and outputs);
- Common result and impact indicators selected from the MS CMES based on their relevance to the Albanian context; and
- Programme-specific result and impact indicators developed in compliance with the overall and specific objectives formulated in the Albanian IPARD II programme.

The concrete indicators are presented earlier in the report (see chapter 3.3).

System in place for collecting, storing and processing monitoring data

As indicated above in section 7.1, there is no entirely appropriate system in place to generate the required data for assessing the effectiveness and efficiency of projects and interventions, although the current system may fulfil minimum requirements for audit trails stated by EC. The project team has no indications that this should not be the case, and as such the IT system is absolutely appropriate. However, there is a need to improve the current IT system in order to cover the desired indicators and to set up an effective data collection system through application forms, reporting templates and *ex-post* reporting templates, if so decided by MARDWA.

Data collection related to the time spent on administrative procedures must be done appropriately and a reporting system constructed to report continuously on the state of the play regarding the various steps in the project cycle of a grant scheme. Online reporting and data visualisation is important in order to deliver real-time monitoring and take subsequent decisions on programme implementation adjustments.