

Rural and Agriculture Development Policy in Light of EU Integration of Albania

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Abstract – The IPARD II programme for Albania is focused on the objectives of the Inter-Sectoral Strategy for Agriculture and Rural Development (ISARD) in Albania for the period 2014-2020 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 Country Strategy Paper for Albania. The IPARD II programme includes seven measures, distributed into two packages by the start of implementation. The first package includes four measures, implementation of which will start in 2016 after entrustment of budget implementation tasks. The IPARD Agency accumulated experience in implementation of the measures supporting investments in physical assets and Package I 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 objective of this paper is to analyse the sectors of milk, meat, fruit and vegetables, grape and wine, challenges with focus on needs for investments at respective sectors. The aim is to analyse the main factors enhancing and hampering the performance of the sectors production, as well the distribution system, up to marketing.

Keywords – Cattle, Milk and Meat Production, Fruit and Vegetables Production and Safety.

I. INTRODUCTION

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

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

During the inter-census 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

Albanian population is among the youngest in Europe with median age of 33 years old; however the population is ageing fast. 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 the GDP growth rate started declining, reaching the lowest rate of 1.6% in 2012. 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 the reduced demand and increasing share of non-performing loans (22.5% in 2012).

The unemployment rate was 13.9% in 2012, or slightly higher than in 2007.

The agriculture, forestry and fisheries sector gross value added (GVA) amounted to EUR 1,614.8 million 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%, construction - 9% and services - 59%.

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.

In 2012, utilised agricultural area (UAA) was 1,201,290 ha, accounting for 41.8% of the total territory of Albania. According to the Agricultural census conducted in 2012 there were 324,000 farms in Albania. The average size of the farms is very small - 1.20 ha. The average number of parcels per farm is 4.1 and average plot size - 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 during land reform and weak access to credit.

Definition of rural areas

Rural areas include the territory of all municipalities with population, as established by the Population Census 2011, of bellow 50,000 people. The list of rural areas is provided in an annex to the programme.

II. MATERIALS AND METHODS

The objective of the research is to analyse that the goals of the program are in line with the objectives of the IPA II Regulation, the Programme aims 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.

The Indicative Country 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 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.

Targeting of measures will be achieved through:

- Eligibility criteria limiting support to priority sectors and target groups;
- Selection criteria targeting support to the priorities of IPARD Programme and Measures’ objectives, allowing effective ranking of the eligible projects.

Selection criteria will aim to ensure equal treatment of applicants, transparency and better use of financial resources and minimising deadweight investments. In defining selection criteria, the principle of proportionality will be taken into account in relation to small grants. In all relevant measures priority will be given to:

- Investments of women and young farmers/entrepreneurs;
- Investments directly aiming at nature and environment preservation, including production and processing of organic products, improving resource efficiency and renewable energy production;
- Investments directly contributing to compliance of the whole establishment with the EU standards;
- Investments creating new jobs in rural areas.

III. RESULTS AND DISCUSSIONS

- Number of projects having received IPA support in agri-food sector and rural development: 760
- 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
- Number of economic entities progressively upgrading towards EU standards: 480
- Number of jobs created (gross): 1100
- 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

In addition, 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.

IV. INDICATIVE FINANCIAL BREAKDOWN

Maximum EU Contribution for IPARD Funds by Year (EUR)*

Years	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.

Measure	Total Public Aid	EU Contribution	EU Contribution rate	National Contribution	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	-	-	-	-	-
Advisory services	-	-	-	-	-
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%
TOTAL	94,337,255	71,000,000		23,337,255	

V. MEASURES TO BE IMPLEMENTED

Measure "Investments in Physical Assets of Agricultural Holdings"

This measure will encourage and support investments in improving productivity and product quality and attainment of Union standards. The measure will focus on sectors that require significant investments for reaching Union standards – milk and meat primary sectors. It 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 to 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 a later stage, after the modification of the programme.

The entire agricultural holding will have to comply with the main relevant national minimum standards in force regarding environmental protection and animal welfare no later than at the end of the project (before the final payment). The recipient will have to 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 of the project at the end of the investment.

Aid will be given for specified investments in buildings, machines, renewable energy and general costs. Private co-financing is required and the maximum level of public aid is generally 60%, more for young farmers and those located in mountainous areas and for investments in waste and effluent management. The lower threshold for total eligible investment is 10,000 EUR, the upper - 500,000 EUR. The total investment value per recipient under this measure may not exceed 1.5 million EUR during the whole IPARD programme period. It is planned to support some 430 projects, all of which will modernise and 300 progressively upgrade to EU standards; 20 farms will invest in renewable energy and a further of 40 farms will develop effluent management systems. The measure should generate some EUR 52 million worth of investments in total.

Measure "Investments in Physical Assets Concerning Processing and Marketing of Agricultural and Fishery Products"

This measure will support investments in fixed assets needed for increasing the competitiveness of food processing and compliance with EU standards. 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 Programme will be complemented by the national and donor support projects for enhancement of horizontal and vertical co-operation along the agri-food

supply chain and development of knowledge and skills of local producers, improving of market infrastructure and market information systems.

This measure covers milk collection, storage and processing, animal slaughtering and meat processing, processing of fruit and vegetables and the improvements in the wine sector. The measure will assist the sectors to upgrade hygiene and environmental standards, increase the competitiveness of food processors, introduce new technologies and quality systems, use renewable energy, reduce post-harvest losses and create jobs. In the milk sector, the cooling chain and improvement of capacities of small and medium companies will be prioritised. Reconstruction of existing slaughterhouses and improvement of processing are key points for the meat sector.

Recipients of this measure will be food businesses registered in the Business Register of Albania with an active status and which belong to micro small and medium sized enterprises. No later than the final payment, the enterprises must meet the main relevant national minimum standards in force regarding environmental protection, public health, animal welfare, and occupational safety. The investment supported must meet all relevant EU standards. Only economically viable enterprises will be supported, and the appropriate assessment will be on the basis of a business plan.

Aid will be given to modernization or construction of new food businesses, machinery and equipment for collecting of raw material, production, packaging, cooling, drying, storing and transportation, equipment for laboratories, investments in environmental protection and renewable energy, IT, and general costs. The general level of public aid is 50%, whilst 10% more can be given for investment in waste management. The minimum total eligible cost of the investment per project is EUR 25,000, the ceilings on eligible costs amount to EUR 2 million. The total investment value per recipient under this measure may not exceed EUR 3 million within the whole IPARD programme period. It is expected that a total of 180 projects will be supported, while all recipients shall modernise and progressively upgrade to EU standards, 15 enterprises will invest in renewable energy. The measure will generate a total of EUR 71 million of investment and about 600 new jobs.

Farm Diversification and Business Development

The Programme will support also balanced territorial development, employment creation and social inclusion through measure 'Farm diversification and business development'. The overall objective of this measure is fostering employment by the creation of new jobs and maintaining existing jobs through the development of business activities, thus raising the economic activity level of rural areas and reversing rural depopulation. The measure will support investments in physical assets needed to diversify and increase farm incomes. 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. 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.

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.

The amount of public aid is up to 65% of the total eligible cost. The minimum and maximum limits of total value of eligible investments per project are 10,000 and 400,000 EUR. It is planned to implement 150 projects, which all will develop additional or diversified income sources in rural areas; 20 recipients will invest in renewable energy sources. The total value of investments generated will be EUR 22.5 million and about 500 (gross) new jobs will be created.

Technical Assistance

This measure is to support the preparation, management, monitoring, and evaluation activities as well as information dissemination on the programme. In addition, capacity building for potential LAGs will be carried out as well as the establishment of the National Rural Development Network.

VI. CONCLUSION

This Programme will be implemented on the basis of indirect management without ex-ante controls by the EU Delegation or the Commission after the entrustment of budget implementation tasks is granted in the Financing Agreement. Grants will be given to recipients to reimburse (partially or fully) costs of investments conducted.

The main institutions crucial for Programme management are:

- (1) Managing Authority (MA function performed by the Ministry of Agriculture, Rural Development and Water Administration) responsible mainly for programming, publicity, monitoring and evaluation;
- (2) IPARD Agency (function performed by the Agriculture and Rural Development Agency) handling project applications, assessing and selecting them, controlling and paying aid;
- (3) National Authorising Officer (NAO function performed by the Deputy Minister in the Ministry of Finance) supervising the financial management;

(4) National IPA Coordinator (NIPAC function performed by the Minister of European Integration) charged with overall policy coordination and

(5) Audit Authority (AA – performed by the Agency for the Audit of the European Union Programmes Implementation Systems) performing external audit functions.

MONITORING AND EVALUATION

The IPARD II programme is subject to on-going monitoring based on a set of indicators. Monitoring information is collected regularly and presented in regular (annual) reports. The Monitoring Committee (MC) will be established for the Programme and will consist of representatives of the public administration as well as NGOs, social and economic partners with the European Commission as an observer. The MC will periodically review progress of the Programme based on the agreed indicators and will generally oversee the programme's implementation.

The IPARD Programme has been subject to ex ante evaluation, the results of which are explained in the programme text. An evaluation plan will also be established. Finally, ex post evaluation will be conducted.

REFERENCES

- [1] 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;
- [2] Article 27 (1) (1) of the Sectoral Agreement;
- [3] Annex 4 of the Sectoral Agreement.
- [4] Regulation (EU) No 231/2014 lays down the objectives and principles for pre-accession assistance to beneficiaries listed in Annex 1 of that Regulation.
- [5] In accordance with Article 7 of Regulation (EU) No 231/2014 the assistance should be implemented through annual or multi-annual, country-specific or multi-country programmes.
- [6] These programmes should be drawn up in accordance with the framework for assistance referred to in Article 4 of Regulation (EU) No 231/2014 and the relevant country or multi-country indicative strategy papers referred to in Article 6 of that Regulation.
- [7] In accordance with Article 6(3) of Regulation (EU) No 236/2014, the Commission may adopt multi-annual action programmes for a period of up to seven years under IPA II Article 55 of Commission Implementing Regulation (EU) No 447/2014 of 2 May 2014 on the specific rules for implementing Regulation (EU) No 231/2014 of the European Parliament and of the Council establishing an Instrument for Pre-accession assistance (IPA II) lays down the provisions for drawing up multiannual rural development programmes under the instrument for pre-accession assistance IPA II (hereinafter referred to as the "IPARD II Programme").
- [8] Article 61(1) of Regulation (EU, Euratom) No 966/2012 and obtain evidence that the requirements set out in points (a) to (d) of the first subparagraph of Article 60(2) of Regulation (EU, Euratom) No 966/2012 and those of Article 13(3) of Commission Implementing Regulation (EU) No 447/2014 are fulfilled