

**Ex-Ante Evaluation of the Albanian Rural Development Programme 2021-2027**

**Under**

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

**Contract No**

**IPARDMA 12/2020**

**FINAL REPORT**

**Submitted by**

**Ecorys Hrvatska d.o.o**

**Dužice 1, Zagreb, Croatia**

**August 9, 2021**

Table of Contents

[1. Executive summary 1](#_Toc79398273)

[2. Introduction 5](#_Toc79398274)

[2.1 Purpose of the ex-ante evaluation report 5](#_Toc79398275)

[2.2. The process and methods: description of steps in conducting the ex-ante evaluation of the IPARD III programme and interaction of the ex-ante evaluator with the Managing Authority 6](#_Toc79398276)

[2.3 Main sources of evidence and information incl. reference to past evaluations, audits, studies, or implementation reports of similar interventions and to sectoral analyses 7](#_Toc79398277)

[3. Appraisal of the description of the current situation, prioritisation of needs, SWOT analysis 8](#_Toc79398278)

[3.1. Appraisal of the current situation, prioritisation of needs and SWOT analysis 8](#_Toc79398279)

[3.2 Appraisal of lessons learnt from the IPARD implementation in previous programming periods 12](#_Toc79398280)

[4. Appraisal of the intervention strategy, including the choice of measures and their targeting and targets 13](#_Toc79398281)

[4.1 Intervention strategy as a whole 13](#_Toc79398282)

[4.2 Intervention logic for each measure described in chapter 8 of IPARD programme 15](#_Toc79398283)

[4.2.1 Requirements concerning all measures 15](#_Toc79398284)

[4.2.2 Measure 1: Investments in physical assets of agricultural holdings (Modernization of agricultural holdings) 16](#_Toc79398285)

[4.2.3 Measure 3: Investments in physical assets concerning processing and marketing of agricultural and fishery product (Agri-processing) 18](#_Toc79398286)

[4.2.4 Measure 4: Agri-environment-climate and organic farming measure (AEC) 18](#_Toc79398287)

[4.2.5 Measure 5: Implementation of local development strategies - LEADER approach 19](#_Toc79398288)

[4.2.6 Measure 6: Investments in Rural Public Infrastructure 20](#_Toc79398289)

[4.2.7 Measure 7: Farm diversification of income generation and business development 22](#_Toc79398290)

[4.2.8 Measure 9: Technical assistance 23](#_Toc79398291)

[4.2.9 Measure 10: Advisory services 24](#_Toc79398292)

[4.2.10 Measure 11: Establishment and protection of forests 25](#_Toc79398293)

[4.3 Contribution of the selected measures to the IPARD III objectives and consistency of the allocation of budgetary resources amongst measures in line with the specific objectives of the IPARD III programme 27](#_Toc79398294)

[4.4 Internal coherence, synergies and impacts 28](#_Toc79398295)

[4.4.1 Internal coherence and synergies 28](#_Toc79398296)

[4.4.2 Economic impacts 28](#_Toc79398297)

[4.5 Appropriateness of targeting (definition of recipients) of each measure (incl. suggestions for any improvements) 34](#_Toc79398298)

[4.6 Relationship and demarcation with other relevant instruments, incl. with the national rural development policies, other IPA intervention and bilateral and international assistance 34](#_Toc79398299)

[4.7 Realistic values for targets and results 35](#_Toc79398300)

[5. Appraisal of monitoring, data collection, implementation system 39](#_Toc79398301)

[5.1 Assessment of the implementing provisions for managing, monitoring, and evaluating the programme 39](#_Toc79398302)

[5.1.1 MoF NAO SO 39](#_Toc79398303)

[5.1.2 Programme implementation ARDA 39](#_Toc79398304)

[5.1.3 Managing Authority 41](#_Toc79398305)

[5.2 Analysis of possible difficulties in implementation and critical incidents, in the previous programming periods (national and/or IPARD II or other donors assisted programmes) 42](#_Toc79398306)

[5.3 Assessment and feedback on administrative simplification for IPARD III recipients 43](#_Toc79398307)

[5.4 Assessment of the availability of support for recipients and IPARD bodies e.g. advisory services, training and LEADER capacity 43](#_Toc79398308)

[5.5 Assessment of the verifiability and controllability of IPARD III measures 43](#_Toc79398309)

[5.6 Assessment of the quality and the extent of partnership arrangements 44](#_Toc79398310)

[6. Conclusions and recommendations 46](#_Toc79398311)

[6.1 Main conclusions 46](#_Toc79398312)

[6.2 Main recommendations 47](#_Toc79398313)

**Annex 1 List of documents consulted**

**Annex 2 Interim Technical Report**

**Annex 3 Kick-off meeting minutes**

**Annex 4 Terms of Reference**

**Annex 5 Presentation of draft report for MARD, August 4, 2021**

**Abbreviations and Acronyms**

AECOFM Agri-environment-climate and organic farming measure

ANRD Albanian Network for Rural Development

ARDA Agriculture and Rural Development Agency

ATTC Agricultural Technology Transfer Centre

AWU Annual Work Unit

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

ET Evaluation Team

EU European Union

EUD Delegation of the European Union

FADN Farm Accountancy Data Network

F&V Fruits and Vegetables

FPUA Forest and Pasture User Association

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 Gases

GVA Gross Value Added

HACCP Hazard Analysis Critical Control Point

IPA Instrument for Pre-accession Assistance

IPARD IPA Component for Rural Development

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

MARD Ministry of Agriculture and Rural Development

MFPM Municipal Forest and Pasture Management Plans

MIS Management Information System

MoF Ministry of Finance

MoTE Ministry of Tourism and Environment

MoP Manual of Procedures

NAO National Authorizing Office

ND Nitrates Directive

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

RCGF Rural Credit Guarantee Fund

RDR Rural Development Regulation

RoI Return on Investment

SIDA Swedish International Development Agency

SO Support Office (Ministry of Finance)

TA Technical Assistance

TB Technical Body

TFP Total Factor Productivity

UAA Utilised Agricultural Area

WB World Bank

WLA Workload Analysis

#

# Executive summary

An *ex-ante* evaluation of the Albanian Rural Development Programme 2021-2027 (abbreviation: IPARD III), coordinated by Ecorys Croatia, was carried out by a team of evaluators in the period June – August 2021. The work comprised (i) review of relevant documents/studies, (ii) assessment of the programme-related SWOT analysis, (iii) assessment of expected impacts, (iv) assessment of proposed implementation procedures, including monitoring, evaluation, and financial management, and (v) preparation of the ex-ante evaluation report. The *ex-ante* evaluation furnishes the responsible authority (Albanian Ministry of Agriculture and Rural Development) with comments and recommendations aiming at improving the IPARD III programme’s relevance, coherence, quality, efficiency, effectiveness, EU added value, consistency and synergy with relevant policies.

**Approach & methodology**

The evaluation approach and methodology largely follow the instructions provided in the EC’s Guidelines for ex-ante evaluations of rural development programmes under the Instrument for Pre-Accession Assistance Rural Development (IPARD III) from October 2020. A combination of qualitative and quantitative evaluation methods was employed. The basis for the evaluation was the Draft Rural Development Programme 2021-2027, dated May 2021. The project team also studied numerous other documents, statistical information and conducted two missions to Albania. The relevance of the *ex-ante* evaluation is achieved through a comparative assessment of (i) the situational analysis in the Albanian agricultural and food sectors presented in the draft programme chapters 2 to 4; and (ii) the strategy, the selected measures and their design as presented in chapters 6 to 8. Efficiency is 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 *ex-ante* evaluation also provided recommendations to the beneficiary regarding possible improvements to the programme text reflecting initiatives to increase relevance, efficiency, and effectiveness.

**Key findings**

**General:** the document style, layout and English is modest. The description of measures is generally good, but improvements of text and explanations can still lead to even better measure descriptions. The maximum levels of total eligible investment costs for measure 1 and measure 3 and the maximum level of investment cots per beneficiaries are too high and may restrict the distribution of resources to smaller and weaker farmers and agri-processors. The implementing structures are well described and are in place to facilitate an effective implementation of the programme. However, steps can be taken to increase effectiveness in ARDA and to improve the transparency of the decisions taken in ARDA. Recruitment of staff to vacant jobs in ARDA and MA is still not accomplished to support the implementation, but the recruitment processes are started. Training of staff has been accomplished intensively and is planned also for new staff. The Farm register is not in place. The animal register is not updated on a regular basis. The FADN system is not in place. However, MARD has taken steps to make sure that the registers are operational when the programme is ready to be opened. Stakeholder involvement in the programming process has been good but is not adequately described in the programme text. Fully implemented, the IPARD III programme with 225 million EUR in total public and private investments will support 1,700 farmers, agri-processors and rural dwellers and support the sector with 15,000 advisory services. The investments will generate an increase in GVA in agriculture and agri-processing of 30.9 million EUR equal to 1.16% of GVA of agriculture and agri-processing in total. As many as 2,558 new jobs will be generated, and an additional 2,558 jobs maintained in agriculture and agri-processing, equal to 1.1 % of the work force in the two sectors. Finally, investments in rural infrastructure will contribute to improved living conditions in rural areas, and support to investments in forestry, organic farming and endangered local breeds will deliver biodiversity benefits in the sector.

**The appraisal of the current situation**, prioritisation of needs and SWOT analysis, including the relevant economic, social, and environmental indicators provides a sound overview of agriculture, forestry, and the food sector. However, the text requires further editing and a more uniform analysis of individual sub-sectors. Agriculture and agri-processing are presented almost without financial data, and without comparison to EU average.

The analysis of environmental issues and land management, including compliance with environmental, food safety and animal welfare standards is modest. The same goes for the analysis on rural economy and quality of life, as well as LEADER approach. The context indicator list is presented but is not completed with relevant data. The SWOT analysis is not prepared in accordance with usual practises and needs editing. It is presented in too many tables with too detailed content, repetitions and overlaps between primary producers and processors. Moreover, the SWOT tables present many incorrect categorizations of SWOT elements. Many symptoms and not causes/reasons are described. Many elements in the SWOT tables are not described in the previous chapter but are imported from the sector studies.

**Appraisal of lessons learnt from the IPARD implementation in previous** programming periods is modest. It does not provide enough information on impact assessments (notably on financial indicators) and evaluations of previous actions and programmes, including some cardinal programmes, like those financed by the FAO.

**Appraisal of the intervention strategy**, including the choice of measures and their targeting (definition of recipients) and targets provides a useful information. However, Section 6.2 is not completed and cannot be assessed. A thorough **appraisal of assessment of needs** is missing. The IPARD III strategy is not prepared, and the identification of needs and their prioritization is not complete.

Section 6.3 refers to the overall objectives of the IPARD programme with reference to the programming framework, but does not provide own list of objectives, neither overall nor specific. In general, the quantified targets are in line with the financial allocations to each of the measures, as they are indicated in the financial tables in chapter 7, although some of them, including the number of projects and/or beneficiaries under the measures, may not be fully realistic. The financial allocation on measures (overall and specific objectives) is not justified and does not relate to the prioritization of the needs.

**Intervention logic for each measure is** described in chapter 8 and is largely correct. Most requirements concerning proposed measures are correct and acceptable. However, the evaluation highlights some points for improvement regarding standards, eligible expenditure, economic viability, advance payments, and deadweight.

**Measure 1: Modernization of holdings**: the rationale of the measure is detailed described and covers most - if not all - important challenges and needs for the prioritized sub-sectors. The calculations are sound and the threshold for each type of production is acceptable. The rules on the aid intensity are not quite clear. It is also not clear whether the Monitoring Committee must approve the selection criteria for productive investments, and what are the selection criteria for non-productive investments. There are also some illogical aspects related to indicators and targets and the amount of the total budget is inconsistent.

**Measure 3: Agri-processing and marketing:** the rationale for the measure refers to the food industry, but the measure is wider in its scope than food processing. Competitiveness is linked to standards, but no refence is made to productivity of the various sub-sectors, although reduced post-harvest loss, waste and utilization of by-products may lead to overall increased efficiency of production. Lack of enforcement of national legislation is referred to as a big problem in the sector, but this problem is not addressed directly. The maximum eligible investment costs are 2,000,000 EUR per project, and the maximum total investment costs per beneficiary is 3,000,000 million EUR. If these options are utilized, only a few beneficiaries will take advantage of the measure and the target of 300 beneficiaries will not be reached.

**Measure 4: Agri-environment-climate and organic farming measure (AECOFM):** overall, this measure is well programmed and well described, but a couple of aspects need to be cross-checked and potentially modified.

**Measure 5: Implementation of local development strategies - LEADER approach:** this measure is described with sufficient details, including eligibility criteria for LAGs, eligible activities, elements of Local development strategies, priority themes, administrative procedures, and selection criteria for LAGs.

**Measure 6: Investments in rural infrastructure:** M6 is not ambitious and will have limited impact on the Albanian rural infrastructure. A selection of recipients is appropriate and the common eligibility criteria are largely well defined and appropriate. However, most specific eligibility criteria are poorly defined. Some examples of eligible investment are highly questionable and do not seem to be in line with the EC rules. Selection criteria are arbitrary and will be difficult to employ, notably the one on the environmental impacts, which is also illogical.

**Measure 7: Diversification of income generation:** the rationale of the measure is good, but there are some questions that relate to the description of the measure, notably the meaning/soundness of some numbers presented, which requires a clarification.

**Measure 9: Technical assistance:** the rationale is too short, and some specific objectives are not coherent with rationale. Linkage to other IPARD measures is not adequately explained. It is not sufficiently clear if the measure envisages a support to the advisory service and municipalities in preparing MFPMs. The common eligibility criteria and eligible expenditure are well defined and appropriate. The proposed aid intensity and EU contribution rate is in accordance with the EC rules.

**Measure 10: Advisory services:** advising and supporting farmers and other beneficiaries on the use of IPARD funds, will be a challenging task for ANES, both with regards to the number of qualified advisors and expertise available. This is particularly the case for some “non-traditional” advisory subjects such as agri-environment, climate, public health, etc. It is not quite clear how the aid intensity has been calculated. The target values are not consistent throughout the text.

**Measure 11: Establishment and protection of forests:** M11 is not ambitious and will have a limited impact on the Albanian forests. The rationale mixes-up relationship between cause and effects/consequences. The objectives are not fully in line with needs and are not fully based on evidence and the SWOT analysis. The linkage to other IPARD measures and to national measures is not adequately explained. There is no explanation how Measure 11 will address the lack of MFPMs – probably the biggest challenge for the implementation of this measure. Common eligibility criteria are well defined and appropriate, while the specific eligibility criteria per sector are poorly described.

**Contribution of the selected measures to the IPARD III objectives and consistency of the allocation of budgetary resources amongst measures**: measured in financial terms, IPARD III is favouring agriculture and agri-processing representing the objectives 1 and 2 targeting increased competitiveness of the sectors, while in particularly objective 4 targeting forestry and organic farming and representing the environmental and climate related objectives of the programme attract only a small amount of the budget (4.2%). Objective 3 and 5 representing income diversification and business development and community development attract 28.8% of the funds. Most beneficiaries will be under measure 1 and measure 2. The programme is more balanced, when it comes to number of beneficiaries, than when it comes to financial allocations. A justification for the financial prioritization is not provided.

**Main recommendations (see also table 14 with replies from MA and ARDA)**

**General:** the IPARD III document requires editing, layout and proofreading and must match the EC recommended template. Enforcement of national minimum standards is needed to avoid unfair competition in the sectors. Steps must be taken to increase the transparency of decisions taken in ARDA. This requires an updated and operational price reference data base.

**Appraisal of the current situation**: it is recommended to complement the analysis of agriculture and agri-processing sectors by adding financial data and comparison to EU average (aggregated as well as on sub-sector level).

**Indicators:** it is strongly recommended for MARD and INSTAT to take the needed steps to develop procedures for data collection and to start the work so that MARD can update the indicator list as soon as possible. It is also an organisational challenge for MARD to organise staff and to start collection and analysis of administrative statistical data, while the official sector data must be collected and reported by INSTAT.

**SWOT analysis**: it is recommended to edit the SWOT analysis along the lines proposed in this report, notably to (i) prepare a text summary with the main S, W, O and T elements for the agriculture and agri-processing, and (ii) to put the current tables in an annex.

**Appraisal of assessment of needs:** it is recommended to identify the most important needs identified in the analysis of the situation and the SWOT and to make a prioritization of the needs to decide which needs to address with the IPARD III programme and which needs to address with national support schemes and with the help from donors. To prioritize the needs, a multi criteria model can be used (applying a scoring system from 1-3), reflecting the economic importance of the need, the environmental importance, and the importance for rural development. It is recommended that needs are assessed particularly for the livestock production; productivity and product quality in agriculture, forestry, fishery, and food processing sectors; irrigation, energy and water saving technologies; environmental problems and rural economy (notably employment).

**Appraisal of lessons learnt from the previous programmes:** it is recommended to prepare the launch of an evaluation of IPARD II to get more information about the results and impacts of the programme. The same recommendation can be targeted towards national support schemes also focusing on financial indicators and not only physical indicators. It is also recommended to collect evaluations and studies from donors implementing programmes in Albania, notably those from the WB, GIZ, and other big donors.

**Appraisal of the intervention strategy:** it is highly recommended to complete Section 6.2 before the programme is submitted to EU for approval. In Section 6.3 it is recommended to build an objectives hierarchy including the overall objectives, the specific objectives, and the operational objectives for the IPARD programme.

**Intervention logic for each measure:** it is recommended to reflect on the comments and recommendations provided for improvement regarding standards, eligible expenditure, economic viability, advance payments, and deadweight.

**Measure 1: Modernization of holdings**: it is recommended to reconsider the formulation of preferential status for young farmers when the applicant may be 40 years old. Check and clarify the aid intensity, the role of the Monitoring Committee in approving the selection criteria for productive investments and make indicators, targets, and the amount of the total budget consistent throughout the document. Reconsider adjusting (increasing), both minimum and maximum amounts for non-productive payments.

**Measure 3: Agri-processing and marketing:** It is recommended to reconsider the maximum level of eligible investment cost per project as well as the maximum level of eligible investments per beneficiary.

**Measure 4:** **Agri-environment-climate and organic farming measure:**

It is advised to check the data regarding area under organic farming (both wild collection and cultivated) and harmonize them throughout the document and to provide explanation and rationale behind the targets for agri-environment-climate measures AECOFM), including the trends in the number of animals of local breeds. It is advised to delete the requirement for the preparation of agri-environmental plan. In the case of organic farming, it is advised to consider giving priority to fruits and vegetables production over MAPs, because MAPs already make more than 80 percent of cultivated organic production. It is recommended that MA cross-check AECM payment calculations. Regarding the justification of pilot operation for local breeds it is advised to explain the trends in the numbers of certain breeds.

**Measure 5: Implementation of local development strategies-LEADER approach**

The pre-financing (up to 50% of the annual allocation of the public support related to the running cost, animation costs and small projects) is possible and will come from the national funding, but in no case is considered as costs incurred to be reimbursed by the Commission via IPARD. This is not clear and should be explained.

**Measure 6: Investments in rural infrastructure:** It is recommended to reduce the number of specific objectives and formulate them shaper, as well as to revise/complete the text under “common eligibility criteria“. It would be particularly important to re-examine and re-define examples of eligible investment so that these are in line with the EC requirements and examples provided in the fiche. It is highly recommended to revise/improve the selection criteria grid and scoring system (notably for the impact on the environment!) and replace the Albanian text with English. It is advised to re-examine the list of indicators and align them with the indicators provided in the EC fiche, as well as to explain why M6 has a modest budget although the needs for improving rural infrastructure are paramount.

**Measure 7: Diversification of income generation:** it is recommended to re-check the validity of the numbers indicated in the comments and clarify them better.

**Measure 9: Technical assistance**: it is recommended to explain more clearly how Measure 9 will support the advisory service and municipalities in preparing MFPM (Measure 11). It would be good to reduce the number of specific objectives, cluster them and make them more coherent with rationale, as well as to explain better the linkage to other IPARD and national measures. It is recommended to reconsider the list of potential beneficiaries and make it possible for other stakeholders to benefit, too. It is recommended to re-examine the list of indicators and align them with the indicators provided in the EC fiche, as well as to delete the repetitive text in the section on administrative procedures.

**Measure 10: Advisory services:** it is recommended to explain better how the aid intensity has been calculated and make the target values to be consistent throughout the text. It is advised to explore the possibility to involve and/or subcontract other advisory providers, such as e.g. agricultural chambers, development agencies, NGOs, municipal councils, etc.

**Measure 11: Establishment and protection of forests:** It is recommended to make the relationship between cause and effects/consequences presented in the rationale section more coherent, as well as to explain better the linkage to other IPARD measures and to national measures. It is particularly important to address better how Measure 11 will solve the problem of the lack/expired MFPM and to consider providing support for this from technical assistance (M9). It is recommended to describe better and in more detail the eligibility criteria per sector and make the target values (“numbers”) consistent throughout the text.

**ARDA:** It is recommended to take steps to analyse the current work processes in ARDA to assess the possibilities for increased effectiveness. It is also recommended to optimize the use of the price reference database to ensure correct values of approved invoices. Guidelines or procedures for the update of the database should be prepared.

It is recommended to plan the recruitment of staff needed to implement the full IPARD III programme, including new, not yet accredited measures.

**MA:** It is recommended to plan the recruitment of staff needed to fill out vacant positions in the MA and to ensure competence building through training.

**Consultation & partnership**: It is recommended to make the information provided in Chapter 13 and Annex 9 more coherent and to better explain the consultation process.

# Introduction

## 2.1 Purpose of the ex-ante evaluation report

The *ex-ante* evaluation is mandatory for the Ministry of Agriculture and Rural Development (MARD), 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) no 1268/2012). The purpose of the *ex-ante* evaluation is to provide the responsible authorities, in this case MARD, 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 focuses on the extent to which the Rural Development component of the Instrument for Pre-Accession Assistance (IPARD III) 2021-2027 in the Republic of Albania reflects the priorities and overall country strategy. The *ex-ante* evaluation results 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 4), the *ex-ante* evaluation objectives are:

**Global objective**

Contribute to improving the relevance, efficiency, and effectiveness of EU pre-accession assistance under the IPA III Component for Rural Development in Albania.

**Specific objective**

Carry out an *ex-ante* evaluation of the Albanian Rural Development Programme under IPARD 2021-2027**.**

**Requested services**

The ToR requested that the Ex-ante evaluation is based on the Draft Guidelines for Ex- ante Evaluation of the Directorate General for Agriculture and Rural Development. The following activities were implemented by the Consultant:

**Table 1: Requested services (ToR)**

| **Activities** |
| --- |
| *Review of documents/studies (home-based) including:* * Draft IPARD III programme 2021-2027
* *Ex-ante* evaluation of the draft IPARD programme 2014 -2020
* Agriculture and Rural Development Strategy 2021-2027
* Updated and new sectoral studies
* Recent policy papers useful to the evaluation
* Recent technical reports useful to the evaluation
 |
| *Assessment of the programme-related SWOT analysis* * Assess the completeness of the SWOT analysis
* Analyse the causes of any disparities identified
* Identify and assess the driving forces toward sustainable rural development and the preparation for the implementation and management of the Community's agricultural policy
* 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
* 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
 |
| *Assessment of expected impacts** 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
* 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
* Assess the expected results and impacts of measures; in this respect the *ex-ante* evaluation should pay particular attention to the verifiability of the results of the measures concerned
* 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
 |
| *Assessment of proposed implementation procedures, including monitoring, evaluation and financial management* * 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
* 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
* 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)
* Assess the quality and the extent of partnership arrangements
 |

## The process and methods: description of steps in conducting the ex-ante evaluation of the IPARD III programme and interaction of the ex-ante evaluator with the Managing Authority

The *ex-ante* evaluation is prepared with reference to the Guidelines for *ex-ante* evaluations of rural development programmes under the Instrument for Pre-Accession Assistance Rural Development (IPARD III) as prepared by DG AGRI (October 2020). These guidelines also 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 2.3 of this report for references and also annex 2);
* Personal interviews with representatives of relevant institutions, organisations and stakeholders (see Annex II for a mission report describing all interviews accomplished);
* Quantitative analyses of data provided by INSTAT, Eurostat, MARD and the Agricultural and Rural Development Agency (ARDA); and
* Qualitative analyses of information and data using international recognised evaluation criteria.

The ex-ante evaluation was undertaken in the period from 10 June to 9 August 2021. The evaluation process comprised five phases:

1. Desk research
2. Data collection mission to Albania (July 5 to 8, 2021)
3. Analysis and reporting
4. Presentation of conclusions and recommendations and discussion of the implementation of recommendations with MARD, mission to Albania (August 3 to 5, 2021)
5. Finalisation of the *ex-ante* evaluation report

Comments and revised input from MARD and ARDA provided in the period from the submission of the draft report to the finalization of the report are reflected in the final ex-ante evaluation report. The table of recommendations is supplemented with the response from MA and ARDA to the recommendations.

## Main sources of evidence and information incl. reference to past evaluations, audits, studies, or implementation reports of similar interventions and to sectoral analyses

To be able to prepare this ex-ante evaluation, the project team has studied numerous documents, statistical information and paid two missions to Albania. The most important source of information comprises the following:

* Draft IPARD III programme
* Sectoral studies prepared for IPARD III programme
* Ex-ante evaluation of IPARD II programme
* EC fiches for IPARD III programme
* EC guidelines for ex-ante evaluations for IPARD III programmes
* Minutes of the Monitoring Committee meetings
* Self-assessment and audit reports prepared by the IPARD-Agency/ARDA/MARD
* Work-analysis and workload sheets of IPARD-Agency/ARDA/MARD
* Reports of relevant international projects implemented in Albania (ESP, FAO, GIZ, etc).
* INSTAT (Institute of Statistics)
* FAO, EUROSTAT and the World Bank databases
* Web pages of the Ministry of Agriculture and Rural Development and the Ministry of Tourism and Environment.

The complete list of documents consulted during the work is provided in Annex 1.

An important source of information were also meetings held during the fact-finding mission on July 5-8, 2021 – with the representatives of the Ministry of Agriculture and Rural Development, IPARD Agency (ARDA), Ministry of Tourism and Environment, EU Delegation, FAO, the World Bank, Albanian Network for Rural Development, and NGO/producer representatives. The second mission to Albania (Aug 3-5, 2021) provided an additional set of evaluation-related information. Valuable information was submitted to the evaluation team during and after the mission and has contributed to the conclusions and recommendations.

# Appraisal of the description of the current situation, prioritisation of needs, SWOT analysis

## Appraisal of the current situation, prioritisation of needs and SWOT analysis

**Section 3.1**

Section 3.1 of the draft IPARD III programme presents the general socio-economic context of Albania with information about use of land, designation of rural areas, the population development, poverty rates, employment and quantitative data of production of the main agricultural products. This final section about the agricultural sector should be moved to chapter 3.2 describing the agricultural sector in more details. The section provides no information about the Albanian economy using traditional national statistical indicators such as GDP, GVA etc. It is recommended to add a small section describing the Albanian economy in general terms and with the help of national economic indicators.

**Section 3.2**

In general, the description of agriculture, forestry and the food sectors in Albania in chapter 3.2 needs editing, it is lacking headlines and structure and the individual sub-sectors are not described and analysed in a homogeneous way. The information differs in focus and details from the one sector to the other.

Furthermore, and more important, agriculture and agri-processing, which is a broader and more comprehensive concept than the food industry concept, are presented almost without financial data, and without comparison to EU average as required. A few examples are provided here.

* Structural data for agriculture (number of farms distributed on size groups) is from 2012 and may not be appropriate for policy making in 2021.
* Agri-processing has doubled its turnover and increased employment with 20% over the last ten years, but the absolute figures are not presented.
* Forestry is important for the economy, but how important?
* MAPs is important for the economy. How important for employment and income?

It is recommended to edit the analysis of the situation in agriculture, forestry and agri-processing with the help of updated economic data to the extent possible and to balance the analysis of the individual sub-sectors.

Experiences from IPARD II and other programmes are referred to in the text and can be moved to the relevant chapter. Detailed comments to the section are submitted to MA in a track change commented version of the draft IPARD programme.

**Section 3.3 Environment and land management**

In general, compliance with environmental, food safety and animal welfare standards in the Albanian agricultural sector is still low. A large share of agricultural holdings fails to comply with standards due to (i) limited financial resources to upgrade facilities and technologies and7or (ii) lack of awareness and knowledge on standards. The enforcement of legislation is also weak, which creates disincentive for investments for compliance 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, environmental pollution and biodiversity loss.

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 surface and groundwater is not yet available in a comprehensive database.

Soil erosion poses a big problem, with 70% of territory eroding at 20 t/ha/year. 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.

A widely applied practice of burning the stubble fields, contributes to a loss of soil organic matter in arable land. Inadequate farming techniques, non-application of crop rotation, inadequate soil cultivation techniques, low and unbalanced use of organic and mineral fertilizers, ineffective measures for plant protection, also contribute to continuous degradation of agricultural land. Fertiliser use per ha of arable land increased in the 2004-2008 period and slightly decreased to 83.3 kg per in the period 2009-2013.

After the energy, agriculture is the largest sector using water*,* mainly surface water. There are high levels of water losses, as well as risks of pollution and quality deterioration. Enforcement of standards for water management is weak.

The total estimated area under the threat of floodingis 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.

Contribution of the agricultural sector to GHG is estimated to be 35% (7,956 – 8,540 tonnes 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 from agriculture and forestry sectors, is still undeveloped, although potentials exist from the forest wood, urban wastes, agricultural residues, forest residues, and animal waste. The current type of utilised biomass is mainly fuel wood.

Cattle and small ruminant farms use outdated technologies and equipment. Animals are kept in simple tied stall barns, often without any windows. All the work is done by hand, including removal of the manure. The larger specialised milk farms 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. A serious threat to the environment is the lack of proper manure and waste management practices. With very few exceptions, farms have no appropriate manure storage and treatment facilities.

One of the biggest problems of processing companies is the fulfilment of 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 and solid slaughter waste. 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.

The establishment of food safety and food quality systems has started, but so far only in larger food processing companies. Premises and equipment of the leading meat processing companies are modern and comply with the national standards.

Out of 418 registered dairies, only 26 have implemented or were in the process of implementation of HACCP or/and ISO or similar standards on food hygiene in 2010. However, investments to comply with environmental standards and treatment of waste are extremely limited.

Slaughterhouse sector in Albania is comprised from a large number of small units, predominantly with outdated equipment and less than 20 slaughterhouses comply fully or partly with national standards. In 5 regions there is not a single slaughterhouse complying with the national standards. Consequently, standards on hygiene are not fulfilled and liquid and solid waste material is just dumped into landfills or washed away by the nearby river.

The environmental problems related to MAPs sector are caused by the improper harvesting techniques, followed by over-harvesting in certain areas. There are no controls on respect of quotas in MAPs harvesting and this is contributing to the present competition in securing the supply of product. This leads to over exploitation of natural resources.

Status of selected relevant legislation

*Nitrates Directive*

The bulk of provisions of the Nitrates Directive (ND) have not been transposed into Albanian legislation. However, some parts of the ND are covered in national legislation, e.g. on hazardous chemicals. Based on the law no.17/2020, article 17, MARD has prepared a draft of decision of Council of Ministers “On detailed rules for the production, trade, storage, packaging, labelling and use of fertilizer products”, taking into account the requirements set out in applicable environmental protection legislation and bylaws on classification, labelling and packaging of chemicals. Also, there is a DCM no.3019/2019 “On restrictions on the production, placing on the market and use of certain chemicals and certain hazardous articles”

However, national legislation and action plans for legislative approximation to the ND have been elaborated and are pending adoption.

MARD has specific responsibilities in the sector, comprising irrigation and drainage, management of sewage sludge, and water pollution from nitrates from agricultural sources. Ministry of Tourism and Environment (MTE), together with the MARD is responsible for the identification of waters affected by pollution and the designation of nitrate vulnerable zones, but according to the information the evaluation team (ET) was able to get, no nitrate vulnerable zone has been designated yet. Furthermore, the Ministry of Agriculture has not yet taken the necessary steps for drafting an action plan aiming at preventing and reducing nitrate pollution from adverse agricultural practices.

*Environmental Impact Assessment*

The Law no. 10440, “On the environmental impact assessment” from 2011, sets out the requirements for Environmental Impact Assessment in Albania. The rules, responsibilities and timeframes for conducting the environmental impact assessment procedure are set out in Decision of Council of Ministries No. 13 from January 2013. The main gaps of the present Albanian legislation with the Environmental Impact Assessment (EIA) Directive are relate to the establishment of a procedure for consultation with environmental authorities, public consultation information and review procedures, and transboundary consultation provisions of the EIA Directive. These requirements are only partially transposed into Albanian law.

The projects that are subject to EIA are listed in the Annexes to the EIA Law (Annex I and Annex II). Annex I contains types of projects for which an EIA is always required (meaning that no screening is needed), whereas Annex II contains types of projects for which an EIA is discretionary (meaning that a screening is needed). All projects listed in Annex I are considered as having significant effects on the environment and require an EIA. Annex II lists developments that may have significant impacts depending on their characteristics, location and potential impacts.

In agri-food sector, EIA is obligatory for facilities for intensive poultry breeding (with more than 10,000 birds), pig production (more than 500 pigs) and sheep/goat production (with more than 1,000 animals).

*Organic farming*

Organic production is still in its infancy and dominated by wild plants collection (accounting for 86 percent of total of 381,161 ha in 2017). Both wild collection of plants and cultivated production are dominated by MAPs. Cultivated organic area comprised only 549 ha in 2017, with MAPs representing 72 percent of it. However, in 2018, the total area under organic certification was 614,632 ha of which the cultivated area was 739 ha (of which 600 ha under MAPs). This represents 62 percent increase of total organic agriculture area and 35 percent increase of cultivated organic agriculture area in just one year. But, no explanation and analysis are provided for this strong growth.

According to 2017 data, main cultivated organic crops are strawberries (43 ha), olives (43 ha) and herbs (39 ha) while organic vegetables are cultivated on only 6 ha. In 2017 there were 150 organic operators (a three-fold increase from 2013), of which 61 are producers, 53 processors and 36 exporters. However, according to data for 2018 there were 82 organic operators from which 75 are producers, 58 processors and 30 exporters (60 percent of them from the MAPs sector). There seems to be discrepancy in this data, and they should be checked.

Within the MARD, the Organic Production and Marketing Standards of Agricultural and Livestock Products Sector (OPMSALS). is responsible for organic production issues. There are still gaps in legislation for organic production, and establishment of an efficient control system is one of the main challenges for the OA sector in Albania.

**Section 3.6 Context indicators**

The context indicator list is included in the draft programme in section 3.6. However, the list is not completed with relevant data. Many indicators are not filled in (Indicators 8 and 10, for example), others are filled in with relatively old data (indicator 13 on structure of agricultural production from 2012), while only few indicators are filled in with up to date figures. The ex-ante evaluator is fully aware and informed about the lack of data in Albania on many important indicators. Neither INSTAT nor MARD has collected these data since many years. In particularly, it is important to start generating data for the economy of agriculture and agri-processing. Economic data on sub-sectors and not only physical data on the output of production are urgently needed for MARD to be able to develop an evidence-based policy. It is strongly recommended for MARD and INSTAT to take the needed steps to develop procedures for data collection and to start the work so that MARD can update the indicator list as soon as possible. It is also an organisational challenge for MARD to organise staff and to start collection and analysis of administrative statistical data, while the official sector data must be collected and reported by INSTAT.

**Chapter 4: SWOT**

The SWOT analysis is presented with too many tables with too detailed content, repetitions and overlaps between primary producers and processors. The SWOT tables present many incorrect categorizations of SWOT elements. Many symptoms and not causes/reasons are described. Many elements in the SWOT tables are not described in the previous chapter but are imported from the sector studies.

The principal approach in the programming is the drafting of the situation analyses with the help of context indicators. Based on the analysis, the SWOT is prepared, where the individual SWOT elements are identified in the situation analysis. It is recommended to edit the SWOT along the lines proposed here.

Furthermore, it is recommended to make a text summary with the main S, W, O and T elements for the agriculture and agri-processing in the analysis of the current situation, and to put the current tables in an annex. The following is a proposal for a text summarizing the SWOT elements from the description and analysis of the situation.

Strengths:

* Traditions to produce several local products of relevance for the domestic and the international market, in particularly in the sectors of fruits and vegetables, wine and MAPs. Close relations and loyalty between the producers and the domestic market.
* Business entrepreneurs developing modern cultivation and processing units taking advantage of new technology and knowledge may pave the way for an increased formalization of the sector with the help of the good examples and demonstration of feasibility of modern formal production.

Weaknesses:

* The sector is characterised with small-scale and fragmented production. The typical producer has a low level of technology and equipment, outdated buildings and storage facilities, low level of knowledge of all relevant topics in modern agriculture and processing among many farmers and processors. This is in particularly the situation among the small-scale farmers and processors. The weak AKIS (agriculture knowledge and information system) is making it difficult for small scale farmers and operators to achieve the relevant and most appropriate knowledge.
* Lack of fulfilment of EU requirements to MARD regarding development and operating a formal farm register and an updated animal register as well as a FADN system may be prohibitive for having access to IPARD III funds from the EU.
* Low level of formalisation is a challenge for the sector. The same is the case for the low level of compliance with standards including food safety and hygiene standards, difficult to comply with requirements to traceability and to trace waste and by-products from the processing facilities.
* Lack of capital and lack of access to capital due to lack of collaterals.
* Undeveloped rural infrastructure, in particularly in the mountain areas, is unfavourable for local rural development.

Opportunities:

* The agro-climatic zone is favourable for agricultural production, and the quality of soil is generally high. Higher incomes in the urban population in Albania leads to bigger demand domestically for local products, with a good reputation.
* Tourism including rural and agrotourism is increasing in Albania.
* Some export markets are increasing, for example the export of high-quality MAPs.

Threats:

* International competition is increasing both at the domestic market and internationally based on products with a favourable price/quality ratio and often favoured of international brands and labels sold via supermarkets.
* Increased pressure to formalize the sector, introduce principles of production meeting the required standards, introducing tax and VAT payments and bookkeeping and accounting principles. Bigger pressure from the formal sector on MARD to enhance enforcement of laws, including the respect for national minimum standards.
* Migration from rural areas to urban areas in Albania and abroad may limit the availability of adequately qualified labour force in the sector again limiting the sectors possibilities for expansion.
* Climate change challenges including water management challenges for agriculture, environmental, food safety, animal welfare and other requirements may be important threats in the short term but fulfilling of these standards will be mandatory in the longer run.

The text above is not complete but should be considered as an inspiration to MARD in the drafting of the final text to the IPARD III programme. Finally, the existing SWOT tables in the programme are commented of the ex-ante evaluation team and are submitted to MA together with a track change commented version of the draft IPARD III programme. Also a revised SWOT analysis sent to the evaluation team after submission of the draft ex-ante evaluation report is commented and returned to MA for finalization.

## Appraisal of lessons learnt from the IPARD implementation in previous programming periods

**Chapter 5: Main results of previous interventions**

Several national and donor initiatives are described in chapter 5 in terms of objectives and resources allocated to the individual projects and programmes. In only one case, an impact assessment is described regarding national support schemes, but the results from the impact assessment primary refers to physical indicators and not to financial indicators, which typically are used in impact assessments.

No evaluations of previous actions and programmes have been accomplished. This is also the case for the On-going evaluation of IPARD II referred to in the regulation.

No references are made to FAO biannual programmes between FAO and Albania, although several projects related to capacity building in MARD, investment support, training and capacity building in rural communities etc have been and are being accomplished.

The section provides a brief and general summary of the lessons learnt from the previous programmes (edited):

* Despite the difficult environment and constrains, support to the agro-food sector has proved to be effective. Companies that have potential to generate large increases in employment and sales are supported to serve as a model to other SMEs.
* A number of EU legislations has been adopted, but substantial work still needs to be done to achieve full alignment especially for the food safety, veterinary, phytosanitary, working conditions and other areas to reach EU requirements.
* Access to finance is a serious problem for most of farms and companies in the sector, even though efforts are done by Albanian authorities by involving EBRD Guarantee Fund and by establishing of the RCGF with the help of an EU.
* Support to development of consultancy services for project preparation and implementation, including technology identification and application, development of food safety systems, was another success of donor interventions.
* The implementation of interventions supporting rural development, ranging from policy formulation to direct support, allowed accumulation of experience and setting-up of structures that have started building capacity to implement the EU pre-accession assistance under 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.
* Stakeholder involvement has been key determinant for success as a solid awareness raising, communication and confidence building measures are required to be included in all community-based projects.

The ex-ante evaluation team does fully agree that the mentioned lessons learnt are relevant and express overall positive experiences from the implementation of IPARD Like, IPARD II and donor funded programmes targeting agriculture, agri-processing, and rural development. However, the team recommends digging deeper to catch the details in the design of interventions, measures etc. It is therefore recommended to prepare the launch of an evaluation of IPARD II to get more information about the results and impacts of the programme. The same recommendation can be targeted towards national support schemes also focusing on financial indicators and not only physical indicators.

It is also recommended to collect evaluations and studies from donors implementing programmes in Albania. Reports are available from WB, GIZ, and others and these reports could be used to extract lessons learnt previously and then to make the programme design even better. The donor cooperation platform is an obvious tool to facilitate this exchange of experiences and lessons learnt among the donors and MARD.

# Appraisal of the intervention strategy, including the choice of measures and their targeting and targets

## Intervention strategy as a whole

Chapter 6 of the draft IPARD III programme describes in section 6.1 the draft national Strategy for Agriculture, Rural Development and Fisheries 2021 -2027 (SARDF). As a reference frame the objectives of new draft strategy are presented. It is appropriate to do that, so that the strategy of the IPARD III programme can be seen in the light of the overall strategy. It is clear from the summary of SARDF that the main challenges for the development of the sectors in Albania are the same as has been the case in many years, and that IPARD III has a role to play addressing these challenges.

Section 6.2 should present the identification of the needs, the prioritization of these needs, and the overall strategy for the IPARD III programme, including the ways MARD intends to target the needs, with the help of IPARD III and with the help of other instruments and with donor assistance. The section is not completed and cannot be assessed at this stage. It is recommended to finalize the section before the programme is submitted to EU for approval. During the mission 3 - 5 August, the evaluation team assisted MA in redrafting the chapter and it is the expectation that the revised chapter in the final version of the programme will comply with the formal requirements.

More specifically, it is recommended to identify the most important needs identified in the analysis of the situation and the SWOT and to make a prioritization of the needs in order to decide which needs to address with the IPARD III programme and which needs to address with national support schemes and with the help from donors. The proposed text summarizing the SWOT inserted above may be useful for MARD in the identification and prioritization of the needs.

On order to prioritize the needs, a multi criteria model can be used, reflecting the economic importance of the need, the environmental importance and the importance for rural development. Each criterion may be scored from 1 (low importance) via 2 (medium importance) to 3 (high importance).

A need scoring 3\*3 points = 9 points is the most important need compared with needs scoring over points. The ranking may look like this: Low importance: 3-4 points, Medium importance: 5-7 points, High importance: 8-9.

Needs with high importance must be addressed, while needs with low importance may be considered addressed later or not at all. High importance does not mean that the way of addressing the need should be very expensive. A high importance need may be relevant to address even with a small budget, if possible and relevant.

More specifically, the ex-ante evaluation team can point out these needs:

There is a need to encourage investments in raising the standards both in animal breeding farms in order to improve raw milk hygiene (milking and cooling facilities), animal welfare conditions (housing, ventilation, etc.), and especially in manure handling and storage and in other sub-sectors of agriculture and agri-processing. Fulfilling national minimum standards and EU standards - where relevant - is a corner stone in the policy for enhancing professionalization of the sector, which is the ambitions of the government of Albania and MARD.

Parallel with the investments in fulfilling standards, there are important needs for the sector (agriculture, forsrty, fishery as well as agri-processing) to increase productivity and quality of products. Fulfilling standards can contribute to this objective as well, but also investments targeting the productivity and quality objectives per se are needed.

The food industry needs to improve waste management practices and treatment of waste. Slaughterhouses still need to be upgraded and meet the food safety standards. Albania lacks rendering facilities, which creates environmental and health risks.

Climate change is expected to significantly affect water balance in Albania. There is a need to modernize the irrigation and drainage systems, in particular to optimize the use of irrigation water. On-farm investments in energy and water saving technologies which will reduce cost and contribute to climate change mitigation and adaptation are needed.

There are needs for development of water and sewage infrastructure, waste collection and treatment in rural areas.

There is a need to reverse the trend for degradation of natural environment due to unsustainable land management and farming practices resulting in land degradation and soil erosion, water pollution and biodiversity loss. This is particularly pronounced in MAPs sector.

Finally, several needs relate to the rural economy. New income generation possibilities and jobs must be created to supplement the development and professionalization of agriculture and agri-processing. Small on-farm and off-farm business must be developed to provide new and attractive jobs for the young people otherwise migrating from rural areas to urban areas or abroad. Improved rural infrastructure, including also social and health services, are important preconditions for the turning of the table and making rural areas attractive.

Section 6.3 described the consistency between the proposed IPARD III interventions and the IPA III Programming Framework and Strategic Response. The text refers to the overall objectives of the IPARD programme with reference to the programming framework, but deduces not its own list of objectives, neither overall nor specific. It is recommended to build an objectives hierarchy including the overall objectives, the specific objectives and the operational objectives for the IPARD programme. This hierarchy can for example look like this:

**Overall objectives[[1]](#footnote-1)**

1. to foster a smart, resilient and diversified agricultural sector ensuring food security;
2. to bolster environmental care and climate action and to contribute to the environmental- and climate-related objectives of Albania;
3. to strengthen the socio-economic fabric of rural areas.

**Specific objectives**

The specific objectives can be related directly to the objective of each of the selected measures.

* Measure 1: Investments in physical assets of agricultural holdings
* Measure 3: Investments in physical assets concerning processing and marketing of agricultural and fishery products
* Measure 4: Agri-environment-climate and organic farming
* Measure 5: Implementation of local development strategies - LEADER approach
* Measure 6: Investment in rural public infrastructure
* Measure 7: Farm diversification and business development
* Measure 9: Technical assistance
* Measure 10: Advisory services
* Measure 11: Establishment and protection of forests

**Operational objectives:**

Reference should be made directly to the quantified operational objectives for each of the selected measures, for example in the table presenting the quantified targets in section 6.5.

The section summaries in a fine way the objectives of the selected measures and provides information about complementary interventions for example regarding land consolidation, collective investments, access to finance, irrigation, extension service etc., which will be addressed through other instruments than IPARD III, for example through donor support and cooperation and through national schemes.

Furthermore, the section 6.4 presents a brief description about how the IPARD III programme will address the requirements to the Green Deal for the Western Balkan countries.

The final section in chapter 6 is the table of quantified targets. A few observations shall be made here, while other topics related to the quantified targets are discussed elsewhere in the ex-ante evaluation report.

* The financial allocations in the table for each measure are not in compliance with the financial table in chapter 7 of the programme.
* The number of jobs generated (gross) is not explained and it is difficult to follow the calculations. It is recommended to refer to the calculations made by the ex-ante evaluation team.
* Rural infrastructure does not include targets. The planned number of project cam be inserted. It is 90.

In general, the quantified targets are in line with the financial allocations to each of the measures, as they are indicated in the financial tables in chapter 7, although some of them, including the number of projects and/or beneficiaries under the measures, may not be fully realistic, as discussed in depth for some of the main measures later in this report.

## Intervention logic for each measure described in chapter 8 of IPARD programme

### Requirements concerning all measures

Only criteria with comments and questions from the ex-ante evaluation team are described here. Criteria not commented are acceptable as they are.

**Standards**

The beneficiary must comply to all relevant national minimum standards no later than when the final payment is accomplished. This means that the farmer may apply for support without following the standards, including being registered as a farmer. If the farmer fails to meet the standards or some of them, when the payment is about to be made, the farmer will not be supported, and the funding of the investment must then exclusively be carried by the farmer himself/herself. It is understandable that this approach is selected to make the target group of potential beneficiaries bigger, but it may still be relevant to think of an approach where the farmer must comply to national minimum requirements when the farmer apply for support. That fulfilment of NMS is a mandatory eligibility criterion which must be met entering the programme. It is not only a risk for the farmer, but also a resource demanding approach for the ARDA, if beneficiaries drop out of the programme due to failing to meet the NMS when the payments are about being made.

Fulfilment of EU standards for the investment, and not for the whole farm/enterprise when the investment is accomplished is acceptable.

**Eligible expenditures**

The presented principles are acceptable. It is important that the ARDA has well written and documented procedures for the control of prices so that the prices of investment components, buildings, technologies, equipment etc not are higher than market prices/values (up to the market value of the asset). The updated price reference database in ARDA is an important tool in this respect and must be well managed[[2]](#footnote-2). It is recommended that MARD and MA takes the needed steps to update and make operational the price reference database in ARDA.

Regarding general costs, the maximum is set to 12% of the total eligible investment. Is this level too high? And will 10% be sufficient according to experiences from IPARD II and other programmes? It is recommended to reconsider the level of general costs. Furthermore, the draft programme states that the general costs must not occur earlier than 1. January 2021. Is this a correct date? Or should the correct date be 1. January 2022?

**Economic viability**

The beneficiary must demonstrate economic viability for the whole entity at the end of the investment, documented with the help of a business plan. This means that applicants not viable at the time of applying for support may be eligible if the planned investment will make the farm viable when it is operational. It is a good approach making it possible for many smallholders and informal producers to apply, also meeting the NMS, when the investment is accomplished. The viability is made by ARDA after described and not too demanding criteria, see annex 3 to the IPARD Programme. However, if the farm is not fulfilling the criterion before the final payment of the support, even though the investment is operational, will the support then be cancelled, also if the causes to lack of viability are out of the control of the farmer? Will it be relevant to make it possible to overrule the viability criterion, if the causes are deemed temporary and out of control of the beneficiary and that the prognosis for viability is positive?

**Advance payments**

It is good that advance payments and payments in tranches is made possible. The rules are clear. However, it should be considered to what extent the requirement for a bank guarantee of 110% of the advance payment is necessary. Are experiences from IPARD II confirming this or can a lower guarantee of for example 50% be relevant? What are the costs of a bank guarantee and are this cost prohibitive for the smallholders? Will the advance payment not be possible for them and will this issue lead to fewer applicants in this category of beneficiaries? It is recommended to look into this requirement and to make it more flexible, if the relevant regulations and practice can make it happen.

**Deadweight**

The section describing the steps to be taken to avoid deadweight is fine, although not precise. What does it for example mean to prioritize projects with a financial gap? Is it for example projects with low RoI and long pay back time? And if this is the case, how does this match with the economic viability criterion referred to previously? Will it only be possible to accept projects with a financial gap, if the documented economic viability is high, and not if it is low? This means that high risk project may be prioritized for resource strong beneficiaries, while the same not will be the case for resource weak beneficiaries.

To what extent are deadweight avoided by targeting beneficiaries selected from wealth and size criteria, meaning poorer and small-scale farmers, and by prioritising projects with environmental and other public goods benefits? It is not clear from the specific eligibility criteria that these considerations are made operational in the design of the measures.

### Measure 1: Investments in physical assets of agricultural holdings (Modernization of agricultural holdings)

The rationale of the measure is detailed described and covers most - if not all - important challenges and needs for the prioritized sub-sectors. Small scale production, fragmentation of holdings, low productivity and yields, low quality of the products, weak linkages in the value chains, weak access to markets, weak access to capital and a weak advisory service and knowledge and technology transfer system. Most of the holdings are operating in the informal sector, and many holdings and agri-processors do not fulfil national minimum standards. This is only possible due to lack of enforcement of a weak public control system.

The measure targets the farmers that are viable at least after the investment is accomplished. This means that farmers must demonstrate a defined minimum production in order to prove viability. The minimum production is estimated for each sub-sector and are prepared as an integral part of the sector studies providing detailed information about the state of play in the sub-sectors. It is the judgment of the ex-ante evaluation team that these calculations are sound and that the threshold for each type of production is acceptable.

All beneficiaries must be registered in the regional farm/business register. But it should be the central farm register required by the EU as part of the entrustment conditions for decentral management of EU funds. It is important that the central farm register is in place and operational, when the IPARD III programme shall be approved by EU.

Type of eligible holding: The heading of the section does not cover the content of the section, which is about maximum and minimum total eligible investment costs.

The maximum total eligible investment costs per beneficiary is 1,500,000 EUR or 3 times the maximum per project/contract, which is 500,00 EUR. Is it appropriate to open the possibility for individual beneficiaries to invest 3 times and with a total of 1.5 million EUR, when the number of beneficiaries under IPARD is expected to be as low as 600? If this maximum opportunity is used by a few bigger farmers, the realized number of beneficiaries will be considerably lower than 600. If the ministry wants to support a broad range of farmers, the number of factual beneficiaries may be higher, if the maximum amount per beneficiary is reduced. It is relevant to investigate the experiences from IPARD II to see, to what extent the same possibility was exploited or not. See more in Chapter 4.7 of this report, where the quantified targets are analysed.

**Specific eligibility criteria per sector:**

After the investment is accomplished and before the final payment, the number of animals in the milk and meat sector must reach a given level. This means that the farmer can apply for support also without having the required number of animals, when the application is submitted. The condition is then, that the farmer must buy the needed number of animals during the investment process to surpass the threshold for eligibility. At the same time, it is clear from the criteria that support to buying of animal is not permitted. For small scale farmers, this will make the private co-funding of the investment even higher, than the aid intensity indicates, since the farmer may need also to invest in a defined number of animals.

According to information from MA, the eligibility criteria of a minimum of 0.2 ha of protected area under glasshouses/ greenhouses/tunnels may be lifted to 0.5 ha to focus the IPARD III programme on bigger and more consolidated farmers. It is the intension to make investment support available from the national budget for farmers with up to 0.5 ha of protected area. If this complementarity is ensured, the demarcation line seems appropriate, and the lifting of the threshold to 0.5 as acceptable.

Preferential status for young farmers. It is stated in the measure description that farmers must not have filled 40 years at the date, when the decision for a contract for support is granted. Is this correct? The relevant date is the date the application is submitted. Otherwise, the applicant can be victim of a slow and ineffective evaluation process of the applications, and the young farmer may turn the corner of 40 years before the contract is granted. It is recommended to reconsider the formulation of when the applicant may be 40 years.

**Aid intensity:**

It is stated in the draft programme that the aid intensity is 60% in general but that it can be 65% for beneficiaries in mountain area and 70% for young farmers and/or organic farmers. The text is not clear: Is it possible to gain additional 10% as Young farmer/organic farmer and additional 5% if located in mountain areas reaching 75%? Or does each condition give additional 5%? It is clear from the text that the maximum aid intensity is 75% for productive investments.

**Selection criteria:**

The selection criteria for productive investments are provided in the draft programme. However, it is not clear from the text, if the Monitoring Committee must approve the selection criteria for productive investments? And what are the selection criteria for non-productive investments?

**Indicators and targets:**

The quantified target for number of projects is 600, but it is not clear, if also 30 projects under collective investment, 20 projects under renewable energy and 40 projects aiming to introduce EU standards are all included in the 600 projects, or they are additional.

Total investments are indicated to be 72 million EUR in the indicator table, but in the financial table for the measure and the financial plan for the programme it is only 65.6 million EUR. What is the correct amount?

***Non-productive investments***

Under this measure, support for non-productive investments can be granted. Support for non-productive investments covers capital works related to the implementation of agri-environment-climate objectives, such as purchasing of electric fences, creation or restoration of livestock watering points, shelters for the herds and the shepherds in remote mountain areas, restoration and creation of landscapes features such as hedges, terraces and stonewalls, etc. Since one of the objectives of this operation is obviously preservation of grassland and traditional rare breeds, in addition to these investments, support could be also given to traditional shepherd dogs.

**Specific eligibility criteria**

No specific eligibility criteria are given for the non-productive investment.

**Aid intensity**

Aid intensity is 100 percent which is justified because the support is given for non-productive investment with the environmental/climate objectives.

**Amount of support**

The minimum total eligible costs of the investment per project is EUR 1,000 and the maximum is EUR 5,000 with the total eligible costs per recipient not exceeding EURO 10,000. Both minimum and maximum amounts are rather small and maybe they can be increased. However, some of these investment (e.g. purchasing of electric fences) are inexpensive and eligible cost put so low will enable potential beneficiaries to get funding from this operation.

**Selection criteria**

The monitoring committee will approve detailed selection criteria for the non-productive investments. Since the projects funded under non-productive investments must contribute to the fulfilment of the agri-environment-climate and organic farming objectives, as listed in measure 4, possible selection criteria might be: (i) obligatory participation in M4 after the investment; (ii) support only to farmers with traditional breeds; (iii) hedges planted only from autochthonous and domesticated shrubs and trees, etc.

**Indicators and targets**

The quantified target for number of projects is 30, and for non-productive investment operations is also 30. However, if one beneficiary may be granted more than one project than the target for the number of operations should be higher.

Total investment for this operation is not indicated, but it can be estimated at some 100,000 EUR if target is 30 investments with an average amount of about 3,000 EUR. Total investment for this operation makes only 0,1 percent of the total IPARD III budget. Although the budget for this measure is rather limited, this operation is important because this is one of the very few with the clear objective of directly supporting biodiversity and landscape diversity.

It could be expected that this operation will attract substantial interest and, given the potential number of beneficiaries (e.g. 86% of the farms pursue livestock activity and local breeds account for over 90% of goat population and 40% of sheep population), target could be increased.

### Measure 3: Investments in physical assets concerning processing and marketing of agricultural and fishery product (Agri-processing)

The rationale for the measure refers to the food industry, but the measure is wider in its scope than food processing. Also, other non-food products are included, so the sector is agri-processing, including food.

The rationale is to a wide extent related to fulfilling relevant EU standards to be able to compete on the export markets through higher quality of the products. Competitiveness is closely linked to standards, but no refence is made to productivity of the various sub-sectors, although reduced post-harvest loss, waste and utilization of by-products may lead to overall increased efficiency of production.

Lack of enforcement of national legislation is referred to as a big problem in the sector, but this problem is not addressed directly. One example is from the olive oil production, where cheap olive oil is imported and sold in Albania as local high quality olive oil. If this information is recognized and accepted, enforcement of law should take place to overcome these crimes.

The rationale for supporting investments in environmental standards differs from sub sector to sub-sector. For some sectors the needs are described in general terms, while they for other sectors are described in more details, for ex sample olive oils. In general, the individual subsectors are described heterogeneously, and a more uniform structure could be relevant.

Types of eligible investments are almost the same for all sub sectors. Simplification is possible in the description of the measure.

The maximum eligible investment costs are 2,000,000 EUR per project, and the maximum total investment costs per beneficiary is 3,000,000 million EUR. If these options are utilized, only a few beneficiaries will take advantage of the measure and the target of 300 will not be reached. It is recommended to reconsider the maximum level of eligible investment cost per project as well as the maximum level of eligible investments per beneficiary.

Selection criteria number 5 regarding job creation has no points. How can it then be included in the selection?

Indicators: Are 20 projects with focus on investments in renewable energy production included in the overall target of 300 projects?

The indicated figure of total investment costs of 118 million EUR is not the same as indicated in the financial table and in the indicative budget for measure 3.

How is the estimation of 500 new jobs (gross) made?

### Measure 4: Agri-environment-climate and organic farming measure (AEC)

Introducing of AEC measure was planned already for IPARD II programme. However, this measure was not developed and launched in IPARD II, and it is justified and particularly important to start with the pilot AEC activities under new programme. This measure is one of the most challenging rural development measures, both from the point of view of farmers and from the administrative point of view. Together with the operation for non-productive investments under measure 1, this is the measure with the objectives to reduce negative impact of farming on environment and preserve biodiversity and landscape diversity. Implementation of M4, although rather limited in its scope, is also important for raising awareness among different societal groups (e.g. farmers, administration, general public) about positive contribution of farming in sustainable use of resources, environmental protection and biodiversity and landscape conservation.

M4 will be implemented through three pilot schemes: (i) Organic Farming, (ii) Conservation of Local breeds of Small Ruminants (goats and sheep) and (iii) Maintenance of the traditional olive groves.

Regarding the justification of pilot operation for local breeds it is advised to explain the trends in the numbers of certain breeds. In the case of organic farming, it is advised to consider giving priority to fruits and vegetables production over MAPs, because MAPs already make more then 80 percent of cultivated organic production.

**Common eligibility criteria for all three operations**

The recipient must commit contractually to implement AEC activities for a minimum of 5 years, must prepare an agri-environment plan and keep a farm diary describing each activity performed on the farm relevant to the commitment.

The recipient shall respect the minimum mandatory standards as established by the national legislation that refer to the specific AEC scheme. All recipients are also required to undertake a training specific for the commitment they will be implementing. The duration of the training is specified for each pilot operation.

These requirements will be novelty for most of the farmers (except for organic farmers who already must comply with some of them) and there is a risk that some farmers will not apply for AECM fearing the administrative burden. While requirements to comply with mandatory standards, to commit for 5 years and to keep farm diary are already challenging for many farmers they are necessary for the successful implementation of the scheme. However, requirement to prepare an agri-environment farm plan seems to be unnecessary burden to farmers with no additional benefit. In the case of pilot scheme for local breeds and traditional olive groves, management requirements are simple and do not require special plan. If the farmers are keeping a diary, this should be sufficient. In the case of organic farmers, they are required to keep the records of activities anyhow because of the inspection and certification procedures. Therefore, it is advised to delete requirement for the preparation of AE plan.

**Specific eligibility criteria**

Specific eligibility criteria are clear and in principle justified for all three operations. However, with regards to the duration of training for organic farming it is advised to distribute the obligatory five days over the first two years of commitment.

**Payment rates**

In the calculation for the organic farming, annual expenditures for control and certification are calculated. If costs of certification are covered from national budget, as could be concluded from the page 102 of IPARD III programme, then this is double financing. This should be checked.

Payment rates are calculated by international experts supported by donors. This is acceptable at this stage, but it is recommended that MA cross-check them (‘nationalize’) either internally in MARD or externally in a cooperation with relevant expertise. The estimation of payment rates can be done for example with the Agricultural University in Tirana or the Agricultural Technology Transfer Centres (ATTC) network, as they are used under other measures.

**Indicators and targets**

Organic farming: Baseline is 740 ha, and 71 farms and the target is 410 ha and 150 farms. This is not clear. Is it expected that only half of the current organic area will enter the pilot scheme and more farmers with smaller areas? This should be explained.

Local breeds: Baseline is 19,562 animals and target is 4,100 (21 percent- 68 percent for sheep, 17 percent for goats). It is not clear what is meant by “Number of supported species of endangered breeds is 75”, because in the description, three sheep and seven goat breeds are mentioned. This should be explained.

Traditional olive groves: Target is 500 ha (only 3% of current area), and this is not ambitious. The team would expect that this operation will be attractive for potential beneficiaries, since it is not requiring any major change in the management of old olive groves.

Total investment for this operation is 2,528,580 EUR. According to the Table 8.3.3.12. Indicative budget, most of the budget (65 percent) will be spent in the last year of the IPARD III implementation period. There is no explanation for this calculation.

### Measure 5: Implementation of local development strategies - LEADER approach

The promotion and implementation of the LEADER approach in Albania started almost 20 years ago thanks to the support from several donor programmes. However, although there were significant number of LEADER-type initiatives they were limited in both number and scope. Therefore, it is justified to further develop and strengthen local partnerships for elaboration and implementation of LEADER type local development strategies in rural areas.

The measure is described with sufficient details, including eligibility criteria for LAGs, eligible activities, elements of Local development strategies and priority themes. Administrative procedures and selection criteria for LAGs are also explained. The measure is developed in a close dialogue between MA and ANRD.

**Aid intensity**

Aid intensity is up to 100 percent. The annual allocation per LAG is 80,000 EUR, except for the first year, where it is EUR 90,000 in 2021 prices (although this is not visible from the indicative budget table (p. 169 of IPARD III plan).

Contracted LAGs may receive an advance to start-up activities, which is important, because it will enable their regular work and functioning. This pre-financing (up to 50% of the annual allocation of the public support related to the running cost, animation costs and small projects) will come from the national funding, but in no case is considered as costs incurred to be reimbursed by the Commission via IPARD. This is not clear, is this from the national contribution to IPARD? This should be explained.

**Indicators and targets**

Indicators and targets on the number of LAGs and population covered by LAGs seem to be realistic. There is no explanation and rationale behind the number of jobs created (50). Are these employees of LAGs (5 per each LAG) and is this realistic? The number of small projects paid is 220, which is on average 4 project per LAG per year, and this seems to be realistic.

### Measure 6: Investments in Rural Public Infrastructure

**A poor rural infrastructure is not stressed much in the SWOT analysis**

There is no SWOT analysis at the level of Measure 6. Surprisingly, but an inadequate rural infrastructure has not been mentioned in any context in any of the sectorial SWOT analyses. Except in the SWOT analysis on Timber and Wood Products, which lists “limited forests infrastructure” among weaknesses. Judging it from the SWOT analysis, the team tends to conclude that a poorly developed rural infrastructure is a modest problem in Albania, not hindering agriculture and rural development. However, anyone who has ever visited rural Albania can dispute this. But, the “Synthesis of the SWOT related IPA III agriculture and rural development objectives” (Chapter 4.5) does list an “underdeveloped rural infrastructure, roads, communication lines, business services” among the thirteen weaknesses identified.

**Rationale does not sufficiently elaborate why poor rural infrastructure hinders agriculture and rural development**

Measure 6 is expected to create an enabling environment for rural economic growth; to improve the quality of life in rural communities and promote territorially balanced and sustainable development in rural areas. It will mainly support investments in physical assets, such as village/agriculture roads, water management, waste management, energy supply, etc. The rationale of Measure 6 is clearly presented, outlining the most important problems in relation to a poor rural infrastructure. However, the link with agriculture and rural development, notably why poor rural infrastructure impends a more vivid development of these sectors is not sufficiently well elaborated.

**The objectives are not formulated sharp enough**

Measure 6 has one general and eight specific objectives. The general objective is split in two sentences, outlining more than one objective. The second sentence stands as a separate paragraph, which is inappropriate. The list of as many as eight specific objectives is too long and too diverse (and not prioritised). The first four are rather general and could have been integrated in the overall objective. Most listed specific objectives are not explicit enough. Moreover, they do not correspond well with some eligible investments listed under this measure (and vice versa) – with renewable energy production being the prime example of it (none of the eight specific objectives refers to renewable energy). Moreover, the text does not provide a clear description of the needs. It is therefore impossible to establish a causal relationship between the SWOT, needs and the objectives.

**Linkage to other IPARD measures is correctly explained**

IPARD III text on Measure 6 provides a good information on the linkage to other IPARD measures. The link to M4 "Investments in physical assets of agricultural holdings”, M7 “Farm diversification and business development” and M11 “Establishment and protection of forests” is well explained. However, a linkage (including potential double funding?) between M6 and “small projects” under Measure 5 (LEADER) is not mentioned.

The text does not elaborate on any potential linkage of Measure 6 with national measures. This is important to mention because the improvement of the poor quality of (rural) road infrastructure has been identified as a priority in key strategic documents including the National Territorial Development Strategy and Coastal Management Strategy (2015–2030), and the five-year Strategy for Rural and Agriculture Development (2014-2020).

**A proper selection of recipients**

The selection of the three group of recipients that can apply for support under this measure is appropriate and is in line with the EC fiche on rural infrastructure.

**Common eligibility criteria are largely well defined and appropriate**

The definition of the common eligibility criteria for recipients are well specified and well presented. Eligibility criteria for applications and for investments are well defined and are appropriate. It is good that the rules stress that the maintenance costs are not eligible for EU-co-financing, because unclarity about this could lead to misunderstanding, raise unrealistic expectations, and create unnecessary problems.

The text under the second bullet point is copied from the EC fiche for rural infrastructure. But it has not been properly adapted. The following two sentences must be corrected: “For this purpose, the application of PRAG could be adapted to the specificities of the beneficiary country. However, public procurement may be done on behalf of the recipient by a centralized competent public authority”.

Point No. 6 under “8.3.5.6. 1. General requirements for support” referring to “Applicants – municipalities which intend to…” is not clearly formulated (or is not completed). It is not clear what is required from these applicants.

**Most specific eligibility criteria are poorly defined**

The first three specific eligibility criteria are clearly defined. But this is not the case with the criteria numbered from 4 to 9. These are poorly formulated, and their requirements is difficult to understand.

**Some examples of eligible investment are highly questionable**

The EC fiche on rural infrastructure provides clear indication and examples of eligible investments, clustering them in the five groups: (i) roads, (ii) water management, (iii) waste management, (iv) energy supply, and (v) new technologies.

However, some examples of eligible investment under Measure 6 seem to be outside the scope of Measure 6 – and this requires an additional check, and most likely a correction. The following examples mentioned in the IPARD III document are problematic:

1. Support infrastructure in the service of increasing production
	* Drainage and irrigation canals, preferably main lines
	* Secondary roads that connect parcels with each other and main axes. Note: on-farm roads are part of the assistance granted to farm holdings, therefore should not be eligible under this measure!
2. Market access
	* Improvement of road axes leading to local and regional markets. Note: this is eligible, provided those roads are not on-farm roads.
	* Establishment of local and regional public markets
	* Setting up public offices for production links with the market for marketing and selling the product.
3. Improving the quality of life of residents:
	* Primary urban infrastructure
	* Internal roads Note: on-farm roads are part of the assistance granted to farm holdings, therefore should not be eligible under this measure!
	* Health centre
	* Educational facilities (schools, kindergartens);
	* Social social-cultural objects.

It is worth noting that IPARD III does not mention any of the following eligible investment examples (mentioned in the EC fiche in rural infrastructure):

1. Waste management: dumping sites fulfilling all environmental requirements, waste collection points;
2. New technologies: local access to information and communication technologies and the development of fast and ultra-fast broadband;
3. Energy supply: power supply to farms and villages and construction of renewable energy plants and installations to the extent that the projects are implemented by a public entity.

The one on energy supply is particularly interesting because one of the four Measure 6 indicators is the “number of beneficiaries investing in renewable energy production”. As many as ten beneficiaries (and presumably also ten projects) are expected to be supported by Measure 6 by 2027, but IPARD III does not list renewable energy among the investment examples.

**A smart arrangement of payment of instalments**

For public investments under Measure 6, implemented by public recipients (municipalities and public enterprises), IPARD III offers a possibility to extend/align the number of instalments to construction phases. This is a particularly useful mechanism as it will ease beneficiaries’ liquidity.

**A well-developed, but arbitrary selection criteria**

Measure 6 has five criteria that will be applied in selecting beneficiaries. Each of the five criteria can be awarded a maximum of 20 points, bringing the total score to a maximum of 100 points. Of the five, only one criterion (“Beneficiary population”) can be (to a large degree) objectively assessed. The other four are quite subjective and their scoring can be quite arbitrary. A particularly problematic is the fifth criterion: “Impact on Environment”. Who, and by using which method(s) and parameters will assess whether an application is good or bad (and to what degree) for the environment? Moreover, the table with scores suggests that even projects with a negative impact on the environment can score 10 points! (note: the column awarding 5 points is also called “negative impact”, so the distinction between 5 and 10 points for a negative impact is not clear at all). The absurdity is even bigger because the text says that “projects with 0 points may not be approved for support”, suggesting that projects with a “negative impact” on the environment, scoring 5 or 10 points can (and will be) be awarded.

The text does not provide any information who and how will undertake the assessments and make the scoring, not only on the environmental impact, but also for the other four selection criteria. However, it is anticipated that ARDA together with a designated technical body with competences within rural infrastructure projects will make the evaluation of the applications and conduct the relevant controls.

The table of the third selection criterion “The impact of the project on the development of the economy, tourism and the quality of life of the inhabitants” is in Albanian language. This needs to be corrected and written in English. The same goes for the text in the third column of the table outlining the fourth criterion “Sustainability, functionality and complementarity of the project in relation to projects implemented or expected to be implemented in the future”.

**Eligible expenditure is well explained**

The eligible criteria for each of the four sub-measures are clear, well presented and in line with the information provided in the EC fiche on forestry.

**Aid intensity and EU contribution rate is in line with EC rules**

The proposed aid intensity and EU contribution rate is in accordance with the EC rules. However, it is not clear why municipalities can be awarded a maximum of 1,000,000 EUR for a project, while public enterprises can get only 500,000 EUR as a maximum.

**M6 is not ambitious and will a limited impact on the Albanian rural infrastructure**

Measure 6 will have a limited overall impact on the Albanian rural infrastructure. By 2027, this measure is expected to support at most 90 projects (), worth 16 million EUR, accounting for just 10.7% of the total IPARD III budget. Looking at it from this angle, Measure 6 does not seem to be sufficiently ambitious. Its meagre budget does not sufficiently reflect the immense problems and investment needs in the Albanian rural infrastructure. IPARD III text does not provide any justification for such a decision. It is very likely that when deciding on the budget share to be earmarked to Measure 6, its designers had in mind other financing opportunities for rural infrastructure – notably other EU funds (e.g. European Structural and Investment Funds), grants provided by bilateral aids, and loans offered by the International Financial Institutions, such as the European Investment Bank, European Bank for Reconstruction and Development, the Council of Europe Development Bank, the World Bank, etc. Assuming this is the case, it would be good to have this explained in the text – because there is nothing wrong with such a political decision. An attempt to make a link/synergy between the EU funds and other international financing mechanisms is provided in the text on p. 221, but this needs to be made more explicit.

**Reasonable budget allocation**

Measure 6 has a total (indicative) budget of 16,000,000 EUR (progressively distributed over the period 2024-2027), which is an equivalent of 4,000,000 EUR per year and an equivalent of 177,778 EUR per project (). This looks like a reasonable budget allocation. Nearly 90 percent of the entire budget will be spent on “investments in physical capital in rural infrastructure” (), which also sounds reasonable. However, as many as 10 beneficiaries (and presumably projects) are expected to be invest in renewable energy production (). If these projects do not qualify for the “investment in physical capital”, it will be challenging to finance them from the remaining 2,000,000 EUR, of which not all will go to renewable energy projects. IPARD III document does not provide any information about how Measure 6 budget has been estimated. The budget is determined at the measure level, with no specific allocation for particular type of investments.

### Measure 7: Farm diversification of income generation and business development

The rationale of the measure on diversification of income generation and business development in rural areas is elaborated well. The informal character of the rural sector makes it relevant not only to support professionalization of the agricultural sector and the agri-processing with the help of measure 1 and 3, but also to make more professional other income generating activities in rural Albania. The measure 7 can contribute to this process during the new programming period.

A few questions relate to the description of the measure.

* Are 25 projects focusing on renewable energy included in the 250 supported projects?
* What is the financial frame for the measure? The figure in the financial table differs from the indicator table.
* How is the number of 500 jobs calculated?
* How does this formulation in the measure description match the quoted specific eligibility criterion:

‘So far, requirement for eligibility has been related to the maximum number of rooms and to the share of supplies from own farm production. Should requirement be tightened (lower maximum threshold, lower maximum number of rooms, etc), it is possible to expect a different typology and average size of investments, focused on improvement/renovation of existing activities rather than starting new ones.’

The eligibility criterion is:

‘For nature and rural tourism sector, the investments in accommodation facilities are limited to up to 30 beds in total.’ How does this match together?

Is the bed size without importance? Can it be 30 single beds or 30 king size beds?

The measure description will be improved, if more clear text related to the raised questions is provided.

### Measure 9: Technical assistance

**A need for technical assistance is not sufficiently stressed in the SWOT analysis**

There is no SWOT analysis at the level of M9. A need for technical assistance is not sufficiently stressed in the SWOT analysis. The “Synthesis of the SWOT related to IPA III agriculture and rural development objectives” (Chapter 4.5) does not mention anything related to technical assistance. However, the SWOT on fruit and vegetable sector under weaknesses mention the “lack of qualified technicians and technical assistance”. Both the SWOT on olive oil processing and non-timber forestry product refer to “insufficient provision and difficult access to qualified technical and marketing advisory services”.

**A short rationale**

The rationale of Measure 9 is short, made of just three sentences. The text provides four reasons why Measure 9 is needed:

* + 1. To ensure regular and effective monitoring and evaluation of the Programme
		2. To support preparation or streamlining of implementation of measures, thus contributing to smooth and effective implementation of the Programme.
		3. To support implementation and monitoring of activities related to provision of information, publicity and visibility.
		4. To support establishment and operation of the National rural development network activities and preparation for implementation of Leader approach.

It is interesting that nothing is mentioned (neither here nor elsewhere) about the use of this measure to support the advisory service. At the same time, IPARD III document envisages the use of M9 to support the advisory service:

* P. 197: “The training of advisors will be implemented either under the Technical assistance measure or under on-going IPA and other donors’ projects in the fields of advisory services during the implementation phase”.
* P. 198: “Training of advisors can be implemented under IPARD Technical Assistance measure”
* P. 198: “Before the entrustment of “Advisory services” measure, pilot projects in provision of advisory services can be financed from the Technical Assistance measure”.

The IPARD III document also does not say anything about the possible use of M9 to support the implementation of M11: about assisting municipalities in preparing Municipal Forest and Pasture Management Plans (MFPM). The lack of these has been identified as one of the key problems in relation to the implementation of M11 (see more under the analysis of M11).

**Some specific** **objectives are not coherent with rationale**

Measure 9 has one general and eight specific objectives. The general objective is well formulated. But the list of as many as eight specific objectives is too long and too diverse (and not prioritised). The support to LAGs is mentioned (which is fine), although this is not envisaged in the rationale text. The specific objectives do not mention anything on providing support for the evaluation of the programme, although this is mentioned in the rationale. In short – some objectives are not coherent with rationale. None of the specific objectives refer to the support for the future implementation of a national rural development network.

The M9 text does not provide a clear description of the needs. It is therefore impossible to establish a causal relationship between the SWOT, needs and the objectives.

**Linkage to other IPARD measures poorly explained**

The linkage to other IPARD measures is explained in just one sentence, stating that M9 will support “implementation of all other measures of the Programme through planned actions on communication, monitoring and evaluation”. This rather general and not specific enough. There is nothing on the potential support to the advisory service and M11 (see above).

The text does not elaborate on any potential linkage of Measure 6 with national measures. It refers to N/A, probably meaning “not applicable”.

**A too restrictive list of beneficiaries**

The text says that the recipients can benefit from Measure 9 “via the Managing Authority”, which is in accordance with the indication provided in the EC fiche on technical assistance. However, potential beneficiaries are limited to two big groups: (1) “other IPARD III entities and related bodies”, such as operating structure, management structure, advisory services, technical bodies; and (2) potential local action groups (LAG’s) and national rural (development) networks). So, it seems that municipalities and other public authorities, as well as companies, etc. – are excluded – which would be too restrictive.

**Common eligibility criteria are well defined and appropriate**

The common eligibility criteria are well defined and appropriate. M9 does not have any specific eligibility criteria.

**Eligible expenditure**

Eligible expenditure is well defined.

**Aid intensity and EU contribution rate is in line with EC rules**

The proposed aid intensity and EU contribution rate is in accordance with the EC rules.

**Reasonable budget allocation**

Measure 9 has a total (indicative) budget of 2,235,295 EUR (equally distributed over the period 2023-2027), which is an equivalent of 447,059 EUR per year (). This looks a reasonable budget allocation.

**Administrative procedure**

The implementation of M9 will be based on “indicative annual Technical assistance action plan, including the indicative amounts for information purposes”, which needs to be approved by the Monitoring Committee. In Chapter 8.3.7.15. “Administrative procedure” there is a repetition of the table and a part of the corresponding text. This needs to be corrected (deleted).

### Measure 10: Advisory services

The public advisory service system in Albania has been restructured in 2018 because models in place, the delivery mechanisms adopted, and the types of advice offered were not sufficiently effective, sustainable or viable to support current and evolving agricultural and rural development needs.

**Common eligibility criteria**

The recipient under this measure will be the MARD public advisory service system (ANES), consisting of 4 Regional Advisory service agencies and MARD Sector for advisory services. However, advising and supporting farmers and other beneficiaries on the use of IPARD funds, will be a challenging task for ANES, both with regards to the number of qualified advisors and expertise available. This is particularly the case for some “non-traditional” advisory subjects such as agri-environment, climate, public health, etc. Therefore, a detailed plan of acquisition of skills and trainings of advisors must be prepared and implemented either under the Technical assistance measure or under on-going IPA funded projects and other donors’ project.

Moreover, MARD should explore the possibility to involve and/or subcontract other advisory providers, such as e.g. agricultural chambers, development agencies, NGOs, municipal councils, etc. While private firms and consultants are not eligible, the private extension services sub-contracted by the MARD as a part of national advisory system can be eligible.

**Specific eligibility criteria**

The advisory services provided under this measure will cover smaller projects to encourage smaller farms and microenterprises with limited financial capacities to use IPARD programme. Advisory services will cover economic, agricultural and environmental performance of the agricultural holdings and SMEs.

There are two main approaches: individual “one-on-one” advice and group sessions. Different advisory packages are well-defined and giving particular attention to AECM and relevant national minimum and EU environmental, hygiene and animal welfare standards.

**Aid intensity**

Aid intensity is 100 percent. Standard rates applicable for each advisory package are given. There is no information how these rates were calculated, but the evaluation team has after the submission of the draft ex-ante evaluation report received a document prepared with the help of international experts estimating the standard rates. The calculations are judged to be appropriate.

**Indicators and targets**

Number of recipients and advice are indicators. In total, 15,400 beneficiaries will receive either individual or group advice. There is a discrepancy in number of beneficiaries when calculated per subjects (14,700).

### Measure 11: Establishment and protection of forests

**A sound sectoral SWOT analysis**

There is no SWOT at the level of M11 – but a SWOT analysis has been provided for the entire forestry sector, comprising three separate SWOT analysis tables (i) Timber and Wood Products (ii) Non-timber forestry products, and (iii) Forestry Based Energy Products. However, the SWOT on non-timber forestry products is hardly of any importance for M11. The SWOT analysis is well structured following recognised standards for a SWOT analysis. The analysis is based on the current situation in Albania, providing a comprehensive overview covering all key sectorial aspects. It is founded on most recent qualitative and quantitative evidence, and considers relevant socio-economic, environmental/climate aspects. A minor shortcoming is that the SWOT analysis does not mention overgrazing, although the Forestry Sector Study Report stresses overgrazing (at multiple places) as an important problem.

**Rationale mixes-up relationship between cause and effects/consequences**

The data on decline in forest area over time is not fully consistent with those presented in the Forestry Sector Study Report. The IPARD III document states that “overall, forests have recorded a decline of about 10 percentage points in the last 50 years”, while the Forestry Sector Study Report suggests (p. 7) that this change (or approximately the same) occurred in the last 20 years. The rationale section highlights six key problems: (i) decline in forest area/deforestation, (ii) low productivity (increment of the woods) with a declining trend, (iii) soil erosion, (iv) forest fires, (v) unfavourable climate change predictions, and (vi) lack/expired Municipal Forest and Pasture Management Plans. The above is in line with the Forestry Sector Study Report, but the relationship between cause and effects/consequences is often mixed-up and not clearly presented.

**The objectives are not fully in line with needs, and are not fully based on evidence and the SWOT analysis**

The IPARD III text does not provide a clear description of needs in relation to Measure 11. The Measure 11 has one general and four specific objectives. The general objective stresses the contribution to:

* + 1. Growth and employment in rural areas
		2. Climate change mitigation
		3. Sustainable management of natural resources (considering principles of the Green Agenda for the Western Balkans)

The IPARD document (including the description of Measure 11) does not elaborate how M11, which is expected to cover just 1,851 hawill (significantly) contribute to the three aspects of the M11 general objective. The contribution to growth and employment in rural areas is particularly questionable.

The four specific objectives are to:

* 1. Increase the forest cover/expand the area of other wooded land in order to provide environmental services
	2. Foster the agroforestry practices
	3. Prevent of damage to forests from forest fires
	4. Improve the resilience and environmental value of forest ecosystems

The needs for the specific objectives #1 and #3 clearly derive from the sectoral analysis and the SWOT. However, this is not the case with the objective #2, while for the objective #4 this is only partially the case. The four specific objectives are not prioritised.

**Linkage to other IPARD measures and to national measures is poorly explained**

IPARD III text on Measure 11 provides scarce and incomplete information about Measure 11 linkage to other IPARD measures in the programme and to national measures. The text just mentions that there is linkage to:

* + 1. Measure 4: Agri-environment-climate and organic farming
		2. Forest fires risks
		3. Contribution to renewable energy production
		4. Improved resilience and environmental value of forests
		5. Afforestation.

No further explanation and elaboration of these linkages is provided, including whether those links relate to IPARD III or national measures (except for Measure 4).

**Municipal Management Plans – a key bottleneck for the uptake in M11**

At present, approximately 90 percent municipalities do not have a valid Municipal Forest and Pasture Management Plans (MFPM). Most MFPM have expired in the last couple of years and need to be updated. Both, the Forestry Sector Study Report, and the Final and Social Beneficiary Survey for the Environmental Services Project highlight that the lack of Municipal Forest and Pasture Management Plans is mainly caused by the lack and/or inadequate human resources and institutional capacities. However, the IPARD III document does not recognise this problem and stresses that this is “due to lack of funds”. Preparation (and approval) of MFPM requires adequate human resources, know-how and financial resources that most municipalities do not have. Lack of MFPM will prevent municipalities, FPUA and private forest users to apply for the support under M11. This probably the key bottleneck in the forestry sector, which is not properly addressed by IPARD III. Municipalities need to be supported through RDP measures (e.g. technical assistance), with the National Forest Agency participating in coordinating the process of drafting and approving MFPMs. This is a time and resource consuming process, that has been confirmed also by the Environmental Services Project Forest, which despite considerable resources and time invested, managed to assist only to six municipalities.

**Common eligibility criteria are well defined and appropriate**

The definition of forest and common eligibility criteria for recipients are well specified and well presented. It is good that eligible beneficiaries comprise all forest owners/managers: private persons, legal entities, associations, and municipalities. The expression “physical persons” might be better to replace with “private persons”. Eligibility criteria for applications and for investments/maintenance are well defined and are appropriate.

The maintenance support for afforestation will be provided as single payment for the works after the finalization of investment. However, there is no indication if maintenance costs will be limited to the first 2-3 years or will be made available over a longer period. This is important to consider because maintenance costs, if provided over a longer period can, due to their accumulative effect, absorb substantial portion of the budget available for Measure 11.

**Specific** **eligibility criteria per sector are poorly described**

Sub-measure 11.1: Afforestation is not elaborated in depth. Moreover, some specific afforestation actions refer to “spatial planning of pastures” and “the restoration of green cover”. These two actions are not well defined, and it is not clear what is meant by these expressions, which by the way, cannot be found in the EC fiche on forestry.

The Sub-measure 11.2: Agroforestry is not sufficiently developed. Its description is poor and general/imprecise. The basic agroforestry management prescriptions (allowed, recommended, and prohibited practices) are not defined.

The Sub-measure 11.3: Prevention of damage to forests from forest fires is not sufficiently developed. Its description is poor and general/imprecise. The text says nothing about eligible protective infrastructures, such as forest paths, tracks, access roads, water supply points (including landing zones for aerial means of transport); forest fire surveillance, monitoring and communication systems; clearing of firebreaks. Local/small-scale prevention activities, including grazing could particularly be interesting for Albania.

The Sub-measure 11.5: Improving the resilience and environmental value of forest ecosystems is not sufficiently developed. Its description is poor and general/imprecise. The text comprises just 5-6 sentences of rather general character.

**Eligible expenditure is well explained**

The eligible criteria for each of the four sub-measures are clear, well presented and in line with the information provided in the EC fiche on forestry.

**Aid intensity and EU contribution rate is in line with EC rules**

The minimum total eligible cost of the investment is set at 2,300 EUR and the maximum at 65,000 EUR. The text does not provide rationale behind this calculation, as well as behind the restriction that the support per recipient under this measure may not exceed EUR 80,000 for the whole programming period. The proposed aid intensity and EU contribution rate is in accordance with the EC rules.

**M11 is not ambitious and will have a limited impact on the Albanian forests**

Measure 11 will have a limited overall impact on the Albanian forests. By 2027, this measure is expected to cover just 1,851 ha accounting for a tiny 0.15% of the forest area. The 2027 target value is not sufficiently ambitious and does not reflect the plethora of needs calling for an urgent and energetic action to improve and protect the Albanian forest fund. The IPARD III document, as well as the Forestry Sector Study Report, and the Final and Social Beneficiary Survey for the Environmental Services Project highlight numerous, both chronic and acute forest-related environmental degradations and damages. In the period 2006 – 2017, the forest/wood volume has decreased by 32 percent. In the last 20 years, about 10 percent of forest has been destroyed, resulting in severe erosion, landslides, and the loss of wildlife habitat. Forest fires (almost 3,000 ha per year) and human-caused damages arising from poor management practices, over-exploitation of wood resources, overgrazing and notably illegal logging are the key factors that led to this situation. Albanian forests are also particularly important from the climate change point of view. The climate change scenarios for Albania envisage increase in air and soil temperatures, prolonged drought, increased risks of flood landslides and fires, decreased precipitation and reduction of water resources and more problems with agricultural pests and diseases. Forests play an important role in climate regulation, carbon sequestration, climate change mitigation, erosion control, regulation of water regime and production of energy from biomass. Bearing in mind all the above-mentioned, forest protection should have received much more attention (and much more resources) in the IPARD III programme.

**Correct budget allocation**

Measure 11 has a total (indicative) budget of 7,058,824 EUR (equally distributed over the period 2023-2027), which is an equivalent of 1,411,765 EUR per year and 1,851 EUR per targeted hectare by 2027. However, the IPARD III document does not provide any information about how this budget has been estimated. The budget is determined at the measure level, with no specific allocation for each of the four sub-measures. The IPARD III document does not provide any justification for the proposed average support of 1,851 EUR per targeted hectare. However, this (average) payment seems to be appropriate. The Final and Social Beneficiary Survey for the Environmental Services Project suggests (see Table 7 on p. 40 and 41) that the average cost per hectare for the improvement of forests (and pastures) in villages Kosturr, Helshan, Perollaj and the administrative unit Mollas was 468 EUR, while the cost of the afforestation with chestnut, carried out by the Krrabi Association was 3,648 EUR per hectare. Assuming that these costs are realistic and representative for the whole country, their average cost of 2,050 EUR per ha comes close to the average support of 1,851 EUR per ha earmarked for Measure 11.

## Contribution of the selected measures to the IPARD III objectives and consistency of the allocation of budgetary resources amongst measures in line with the specific objectives of the IPARD III programme

According to chapter 6.3 in the draft IPARD Programme, the main objectives in the agricultural sector, although not for the IPARD III programme as such, will be as follows:

1. To support in building an agricultural sector capable of competing with market forces. To improve market orientation and competitiveness of the agri-food sector, the sector’s response to social demands for safe, healthy, nutritious food and animal welfare and enhance farmers’ position in the food chain.
2. To increase the competitiveness of the agri-food sector, progressively aligning it with the EU standards and improving the efficiency and sustainability of on-farm production, which will provide a better response to societal demands for safe, nutritious and sustainable food.
3. To facilitate business development, growth and employment in rural areas, improve farmers’ position in the value chain and attract young farmers.
4. To contribute to climate change mitigation and foster sustainable management of natural resources.
5. To improve community development and social capital in rural areas and build-up modern public administration for agriculture and rural development, respecting good governance principles.
6. To continue the support for the alignment with and the implementation of the EU legal framework in the field of agriculture and rural development and the relevant veterinary, food safety and phytosanitary standards (SPS standards).

All 6 objectives are covered of the planned measures under IPARD III. However, the distribution of funds is not balanced:

* 66.2% goes to agriculture, agro-processing and advisory services
* 4.2% to forestry, agro-environment and organic farming
* 28.8% to diversification, LEADER and rural infrastructure

Measured in financial terms, the draft programme is favouring agriculture and agri-processing representing the objectives 1 and 2 targeting increased competitiveness of the sectors, while in particularly objective 4 targeting forestry and organic farming and representing the environmental and climate related objectives of the programme attract only a small amount of the budget (4.2%). Objective 3 and 5 representing income diversification and business development and community development attract 28.8% of the funds.

The majority of beneficiaries will be under measure 1 and measure 2 (900 farmers and agri-processors) plus the more than 15,000 service contracts produced by the advisory services to primarily farmers and agri-processors. The number of beneficiaries under measures Diversification and LEADER will be 500, while the number of contracts under forestry and organic farming also will be around 500. Rural infrastructure will benefit many rural dwellers across the sub-sectors. In this way, the programme is more balanced, when it comes to number of beneficiaries, than when it comes to financial allocations.

## Internal coherence, synergies and impacts

### Internal coherence and synergies

The internal coherence in the IPARD III programme is acceptable, although the programme is not balanced, when it comes to targeting the various objectives oi the IPARD programme, as discussed above.

There are many synergies among the measures. The combined focus of measure 1 and 3 on competitiveness on the one hand and contributions to the fulfilment of standards and to public goods on the other hand is illustrating the contribution to both the economic and the environmental objectives of the programme. The advisory service intervention will provide technical assistance to all 6 overall objectives, although it is expected that agriculture an agri processing will be favoured the most. Forestry will contribute to all three objectives, but primarily to forestry and biodiversity, but it must be recognised that the contribution to rural development and to economic objectives also is significant. Organic farming will also deliver both to the economic and environmental objectives, although the public goods contribution must be the most important impact of the measure. Diversification and LEADER deliver to economic and rural development with focus on alternatives to agriculture. Rural infrastructure will deliver to all six overall objectives, facilitating the economic and rural development but also contributing to improved efficiency of resource use, including water in rural areas.

The expected impacts from the programme will be described regarding economic, environmental, and rural development impacts.

### Economic impacts

The estimations of the economic impacts of the IPARD III programme take as point of departure the development of central indicators for the agricultural sector over the later years.

Gross value added (GVA) defined as the sales value of the agricultural production minus intermediate expenditures was in 2012 1807.5 million EUR. The annual growth from 2007 to 2012 was 10.6%. The growth seems to have been lower from 2012 to 2019, where the GVA has reached 2541.7 million EUR with an annual growth f 5.8% from 2012 to 2019. The number of annual wage units (AWU) representing full time employees in the sector went down from around 500,000 in 2012 to 461,000 in 2019, a reduction of 9.5%. Investments expressed as Gross Fixed Capital Formation (GFCF) in the sector was 53.7 million EUR in 2018 representing only 2.1% of the sector’s GVA compared to the EU average of 34% in 2015[[3]](#footnote-3). See the table below.

**Table 2: Central indicators for agriculture in Albania, 2012 and 2019**

|  |  |  |
| --- | --- | --- |
| Indicators | 2012 | 2018 and 2019 |
| Agriculture GVA, million EUR | 1807.5 | 2541.7 |
| Annual growth 2007-2012, 2012-2019, % | 10.6 | 5.8 |
| Agriculture AWU (2012, 2019) | 500,000 | 460,878 |
| GFCF agriculture, million EUR, 2018 | n.a. | 53.7 |
| GFCF agriculture, share of agricultural GVA, %, 2018 | n.a. | 2.1 |

*Source: INSTAT, MARD and draft IPARD III programme, 2021*

The table below summarizes the planned interventions in agriculture and the estimated economic impacts. The 2021 situation is compared to the ex-ante evaluation of the IPARD II programme in 2014.

**Table 3: Estimated impacts of measure 1 - Investments in physical assets in agricultural holdings**

|  |  |  |
| --- | --- | --- |
| Indicators | Estimated and planned, ex-ante of IPARD II, 2014 | Estimated and planned, ex-ante of IPARD III 2021 |
| Total planned eligible investments, IPARD III, million EUR | 52 | 65.6 |
| Total eligible investments, million EUR, per year, % of GFCF | n.a. | 17.5 |
| Planned number of projects | 430 | 600 |
| Average planned eligible investments per project, EUR | 120,930 | 109,306 |
| Estimated increase in GVA, million EUR, RoI 15% | 7.8 | 9.84 |
| Increase as share of total sector GVA, % | 0.43 | 0.39 |
| GVA/AWU, EUR, 2014, 2021 | 4,157 | 6,342 |
| Number of new jobs, gross | 940 | 776 |
| Number of maintained jobs | 940 | 776 |
| Price per new job, EUR | 27,715 | 84,562 |

*Source: Ex-ante evaluation report for IPARD II, 2014; IPARD III programme and own calculations.*

IPARD III will provide a total of 65.6 million EUR in total investments to the sector, covering public and private funding. Compared to IPARD II it is an increase of 26%. Even though it is a big amount of money, it is still only 17.5% of the annual investments in the sector measured by the Gross Fixed Capital Formation (GFCF) indicator. The draft programme plans to realize 600 projects against 430 in the current programme. The planned average cost per project goes down from 120,000 EUR under IPARD II to 109,000 EUR under IPARD III.

The expected contribution to the increase in GVA is 9.84 million EUR based on the precondition that each investment will generate a RoI of 15%. This assumption was used in 2014, and interviews with experts and stakeholders indicate that the same RoI can be used today. This increase in GVA will represent only 0.39% of the total GVA in the sector. In 2014 the estimated labour productivity as an effect of IPARD II was 4,157 EUR/AWU for the supported projects compared to a sector average of 3,615 EUR/AWU in 2012. In 2019 the sector average reached 5,515 EUR/AWU indicating that the estimations prepared in 2014 for the ex-ante evaluation of IPARD II were realistic. The 2019-level of labour productivity is only 26.5% of the EU average in 2020 demonstrating the big need for continued support to investments in the sector. The new estimations are that the labour productivity for the supported projects will increase to 6,342 EUR/AWU in average, but it is still below the EU-average, although Albania will be beyond the level of Romania with 5,259 EUR/AWU, the lowest labour productivity level in the EU[[4]](#footnote-4).

The increased economic activity of the supported projects will affect the labour input. It is assumed that 50% of the investments only will increase productivity and quality, while 50% also will increase capacity. This means that employment will increase in 50% of the investments with new jobs, while the jobs will be maintained in the remaining 50% of the investments. If the increase in GVA is 9.84 million EUR and the average labour productivity is 6,342 EUR/AWU, then the number of jobs affected will be 1,552 full time jobs, distributed on 776 new jobs and 776 maintained jobs. The price per new job is estimated to be 84,500 EUR in total investments compared to the estimation of 27,715 EUR under IPARD II. The expected price per job has increased from 2014 to 2021.

The same calculations are prepared for measure 3: Investments in agri-processing, see the table below.

**Table 4: Central indicators for Agri-processing in Albania, 2012 and 2019**

| Indicators | 2012 | 2019 |
| --- | --- | --- |
| GVA, million EUR | 91 | 128.6 |
| Agri-processing AWU, 2012, 2019 | 18,000 | 14,163 |
| GVA/AWU, EUR | 5,082 | 9,080 |

*Source: Ex-ante evaluation report of PARD II, 2014, Draft IPARD III programme, 2021 and own calculations.*

Data validity for agri-processing in Albania is more fragile than for the primary agricultural sector. It is in particularly the case for economic data. According to context indicator C14 in the indicator list, the GVA for the food industry is 128.6 million EUR in 2019[[5]](#footnote-5). It is an annual increase of 5.5% from 2012 The same fragility is observed when it comes to employment in the sector. In 2012 the number of jobs was around 18,000. In 2019 the figure is lower, and from the AIR 2020 report the number of full-time employees in the agri-processing sector is 14,163, although other figures can be identified in the programming documents. The employment in agri-processing is reduced with 20% from 2012 to 2019 due to increased labour productivity. Thus, the GVA/AWU has increased with 79% from 2012 to 2019, reaching 9,080 EUR/AWU.

The table below presents the estimations of the impacts of the IPARD III programme compared with the same estimations for IPARD II in 2014.

**Table 5: Estimated impacts of measure 3: Investments in physical assets concerning processing and marketing of agricultural and fishery products (Agri-processing)**

| Indicators | Estimated and planned, ex-ante IPARD II, 2014 | Estimated and planned, ex-ante of IPARD III 2021 |
| --- | --- | --- |
| Total eligible investments, million EUR | 71 | 81 |
| Planned number of projects | 180 | 300 |
| Estimated increase in GVA, million EUR, RoI 20% | 14.1 | 16.2 |
| Increase as share of total sector GVA, % | 15.5 | 12.6 |
| GVA/AWU, EUR | 6,098 | 10,986 |
| Number of new jobs, gross | 1,160 | 743 |
| Number of maintained jobs | 1,160 | 743 |
| Price per new job, EUR | 61,000 | 108,960 |

*Source: Ex-ante evaluation report of PARD II, 2014, Draft IPARD III programme, 2021 and own calculations.*

IPARD III plan to provide investments for a total of 81 million EUR in agri-processing in Albania in the period from 2021 to 2027. It is 10 million EUR more than under IPARD II. The number of planned projects is 300 compared to 180 under IPARD II. The estimated increase in GVA is based on a RoI of 20%. This is the same RoI as used in the 2014-estimations, and there seems to be no reasons to change this assumption now. The increase in GVA is estimated to be 16.2 million EUR, equal to a share of 12.6% of the value of the sector’s GVA. The labour productivity will increase from a sector average of 9,080 EUR/AWU in 2019 to 10,986 EUR/AWU for the supported projects. The EU-average in 2017 was 50,664 EUR/AWU, with Bulgaria at the lowest level with 8,941 EUR/AWU. Investment support is still urgently needed for the food industry in Albania to catch up with the EU countries[[6]](#footnote-6).

Using the same assumptions as for the calculations of impacts of measure 1, the number of jobs affected will be 1,486, of which 743 jobs will be new fulltime jobs due to new capacity in combination with higher productivity, while 743 jobs will be maintained due to a higher productivity only. The creation of new jobs is important in the agri-processing sector due to the loss of 4,000 jobs from 2012 to 2019. The total investment costs per new job have increased from 61,000 EUR estimated under IPARD II to 108,960 EUR estimated under IPARD III.

**Table 6: Estimated impacts of measure 7 - Diversification and business development**

| Indicators | Estimated and planned, ex-ante IPARD II, 2014 | Estimated and planned, ex-ante of IPARD III 2021 |
| --- | --- | --- |
| Total eligible investments, million EUR | 22.6 | 43.8 |
| Planned number of projects | 500 | 250 |
| Estimated increase in GVA, million EUR, RoI 10% | 2.3 | 4.38 |
| Increase as share of total sector GVA, % | 0.13 | 0.17 |
| Number of new jobs, gross | 627 | 608 |
| Number of maintained jobs | 627 | 608 |
| Price per new job, EUR | 36,045 | 72,000 |

*Source: Own calculations*

The planned total investments under IPARD III are 43.8 million EUR in the programme period for the diversification measure. It is almost a doubling compared to the previous programme period, but the planned number of projects is reduced to only 250 compared to the 500 under IPARD II. Based on a RoI of 10%, the increase in GVA will be 4.38 million EUR, representing a share of 0.17 % of the GVA of the agricultural sector. Since there are no data for labour productivity of the investments under this measure, the anuual average wage/AWU in agriculture is used to calculate the generated employment effects of the measure. The wage is estimated to be 3,660 EUR per AWU[[7]](#footnote-7). Based on this figure, the jobs effected of the investments under the measure is 1,216 of which 608 will be new jobs and 608 jobs will be maintained. The price per new job will increase under IPARD III to estimated 72,000 EUR compared to the estimation under IPARD II (36,045 EUR). The job creation estimated here is a bit higher than in the IPARD III programme, where the job creation is calculated to be 500 new jobs.

**Table 7: Estimated impacts of measure LEADER**

| Indicators | Estimated and planned, ex-ante of IPARD III 2021 |
| --- | --- |
| Annual average wage/AWU, EUR | 3,600 |
| Total eligible investments, million EUR | 4.8 |
| RoI, % | 10 |
| Estimated increase in GVA, million EUR | 0.48 |
| Increase as share of total agricultural sector GVA, % | 0.02 |
| Number of LAGS | 10 |
| Number of projects | 220 |
| Number of new jobs, gross | 67 |
| Number of maintained jobs | 67 |
| Price per new job, EUR | 72,000 |

*Source: Own calculations*

The LEADER measure will absorb 4.8 million EUR in total investments, including establishment of 10 LAGs and preparation of 10 local development strategies (LDS) and 220 planned projects under the LAGs. The estimated generation of GVA will be 0.48 million EUR, if the RoI again is estimated to be 10% as it was the case also for measure 7 Diversification. The increase in GVA will be equal to 0.02% of the sector GVA. The same average annual wage is used: 3,600 EUR/AWU. Then the number of affected fulltime jobs will be 134, of which 67 will be new jobs. The price per new job will be 72,000 EUR.

The aggregated impacts of the four measures described here are presented in the table below. The total number of beneficiaries will be 1,370 generating and increase in GVA of 30.9 million EUR equal to 1.16% of the GVA of the aggregated GVA of agriculture and agri-processing. 5,115 jobs will be affected, of which 2,558 will be new jobs. The share of jobs affected of the total employment in the sectors will be 1.1%.

**Table 8: Total economic impacts for 4 measures - LEADER, Diversification, Agri-processing, Agriculture**

| Total number of beneficiaries | 1370 |
| --- | --- |
| Total increase in GVA, million EUR | 30,9 |
| Increase as share of total agriculture sector and agri-processing sector GVA, % | 1,16 |
| Total number of new jobs | 2558 |
| Total number of jobs maintained | 2558 |
| Total number of jobs affected | 5115 |
| Total share of jobs affected, % of jobs in agriculture and agri-processing in total | 1,1 |

*Source: Own calculations*

The remaining 4 measures will also generate economic impacts.

**Table 9: Impacts of other measures**

| Measure | Million EUR | Comments from the ex-ante evaluator team |
| --- | --- | --- |
| Rural infrastructure: Total eligible investments, million EUR | 16,0 | 90 rural infrastructure projects are planned. Average total investments costs per project 178,000 EUR 100 jobs will be created |
| Forestry: Total eligible investments, million EUR | 7,1 | More than 2,000 ha. of forests are supported including 300 ha afforestation, 751 ha of agro forestry systems, 1,171 hectares of forest ecosystems and 588 hectares of forests protected from firesMany hundreds rural families will benefit from activities in the forests. |
| Agro-environment scheme, Organic farming: Total eligible investments, million EUR | 2,5 | 375 contracts will be signed. 410 ha organic; 500 ha old olives, 4,400 old breeds |
| Advisory services: Total eligible investments, million EUR | 2,9 | 15,400 units of advisory tasks.Providing advice to beneficiaries contributing to increased GVA |

**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.

Investments in the construction of manure storage capacities including equipment for its handling and use; investments in construction of facilities for wastewater treatment; water purification and utilisation of waste products; investments in modernization/construction of slaughter-housing and rendering facilities, establishment and modernization of plants for renewable energy production will have direct positive impact on soil and water. Direct beneficial effect can be expected also on air quality and climate (in terms of reducing ammonia and greenhouse gases). Construction and/or reconstruction works may impact adversely on the soil, e.g. through compaction or pollution caused by spillages. Such activities may thus have a negative impact on soil erosion and soil processes. However, these negative effects are likely to be of a local and temporary character. 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 and may adversely affect air quality, e.g. through dust and chemical odours. Thus, these negative effects are likely to be of a local and temporary character.

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. These effects are likely to be of local character.

AECM and non-productive investments operation under Measure 1 will have direct positive impact on agro-biodiversity and landscape diversity. Direct positive impact on soil and water can be expected through the increase of area under organic production.

Advisory services will have indirect positive impact through building skills, capacities and knowledge of farmers and SMEs, in particular on standards with regards to environment.

However, there is a huge number of small farms that cannot comply with the national minimum environmental and food safety standards and cannot afford necessary investments. Small farms will not be eligible for the IPARD III support; thus, it is important to find the ways to support them in complying with minimum requirements, especially with regards to proper manure storage and waste/wastewater handling. These farms might be small individually but since their number is big, improper storage and handling of manure could have cumulative negative effect. In this respect, access to small investments and simple solutions combined with proper information and capacity building could bring big improvements.

**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 III 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.

Living standard and wellbeing of rural population will be improved through investments in public rural infrastructure and in facilities for private childcare, care of elderly or disabled people, adult education and training. Acquisition of new skills, innovation in local communities and development of a culture of cooperation will increase social capital in rural areas. Creating of the team spirit, participation, collaboration, including the gender balance between men and women, young and elder will strengthen social fabric.

However, there will be growing disparities between the regions which will take advantage of the possibilities provided by the IPARD III programme and the ones which will not. There will 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.

Thus, 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 2014-2020.

Disparities and stakeholders negatively impacted

There is a huge number of small farms that cannot comply with the national minimum environmental and food safety standards and cannot afford necessary investments, at one hand and the bigger farms and food processing operators who are looking for investment opportunities, at the other. The other group still need to upgrade to EU environmental and food safety standards and, in some cases, even to a minimum national standard.

Small farms will not be eligible for the IPARD III support; thus it is important to find the ways to support them in complying with minimum requirements, especially with regards to proper manure storage and waste/waste water handling. These farms might be small individually but since their number is big, improper storage and handling of manure could have cumulative negative effect. In this respect, access to small investments and simple solutions combined with proper information and capacity building could bring big improvements.

## Appropriateness of targeting (definition of recipients) of each measure (incl. suggestions for any improvements)

The definition of recipients is acceptable for almost all measures. Only the definition of a few potential recipients may be improved.

The date when a young farmer younger than 40 years is no any longer a young farmer is not clear. Is it the date the application is submitted or is it the date the application is processed?

See also the elaborated in the analysis of individual measures.

## Relationship and demarcation with other relevant instruments, incl. with the national rural development policies, other IPA intervention and bilateral and international assistance

Chapter 10 of the draft IPARD III programme provides information about the complementarity between IPARD and other national and donor funded interventions. At the general level, IPARD III programme will define demarcation criteria consistent with these documents, the text is edited:

* Indicative Strategy Paper for Albania 2021-2027 defines IPA III priorities and objectives for each policy area
* National Strategy for Development and Integration for the period 2021-2027 provides the 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 strategic reference document from MARD will not be the current 2014-2020 Inter-Sectoral Strategy for Agriculture and Rural Development, but the draft Strategy for Agriculture, Rural Development and Fisheries (SARDF) 2021 - 2027, which will be the main policy reference document for national and for donor funded programmes and interventions in Albania targeting the sector needs. Unfortunately, this document is not finalized and endorsed yet, and thus not presented in the draft IPARD III programme. It is therefore difficult to assess the relationship and demarcations between the draft IPARD III programme and other policies.

A table is inserted in chapter 10, where demarcations are indicated, but the information only says that investment support to agriculture and to agri-processing exclusively will be provided by IPARD III and that other demarcation lines will be prepared, when relevant. This could indicate that no other investment support instruments will be applied, but this cannot be confirmed since the new Strategy is not presented and endorsed. Also, investment support from donors could be complementary to IPARD III.

Section 10.2 describes other financial instruments implemented by international organisations and donors in the region and in Albania, but the text does not describe the specific demarcation lines between IPARD III and these financial instruments.

Section 10.3 describes the principles of demarcation line between IPARD III and national interventions. The principles are (the text is edited):

’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 2021-2027
* 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.

The national measures will continue focusing on priorities not supported under the IPARD programme. The National Schemes for agri-food sector currently are programmed on an annual basis. Demarcation principles of the IPARD III programme will be applied in the annual programming of the national schemes:

* National schemes will support sectors, that are not eligible under IPARD programme or
* If sectors eligible under IPARD III Programme are supported, national schemes will provide support to investments/target groups/regions not eligible under IPARD (for example, farms with a production below the minimum threshold for IPARD, purchase of agricultural animals, urban areas).’

The ex-ante evaluation team fully agrees with these principles, which are also described on the current 2014-2020 ISARD. They indicate that new investment support measures may be applied, and it is recommended to bring consistency into the text, so that text stating that no other investment support than IPARD III will be available for the sector, are deleted.

However, it is clear from the design of the IPARD programme that the target group of each measure will be very limited and that the majority of farmers, agri-processors and rural dwellers will not be supported under the programme. The lack of formalization and therefore the lack of fulfilling basic national minimum standards and requirements for having access to public support, is a major challenge for agriculture and agri-processing in Albania. It is a main challenge in the prioritization of interventions, how the informal sector can be targeted, and how the operators with ambitions, willingness and capability to develop into formal operations can be supported.

## Realistic values for targets and results

The quantified targets for each measure are typically number of projects/beneficiaries/hectares etc.

**Measure 1: Investments in physical assets of agricultural holdings**

The quantified target for measure 1 is 600 projects/beneficiaries, but since one beneficiary may have more than one project, the number of beneficiaries will probably be lower than 600.

The average expected total investment costs is 109,306 EUR. The average realized total eligible investment costs per project under IPARD II is 169,905 EUR. This is 50% higher than the planned investments costs for IPARD III. The total eligible investment cost per project have increased from call to call under IPARD II. It can therefore be argued that the average for PARD III should at least have the same level as the second call under IPARD II (2020). This will reduce the expected number of projects to 400.

Another observation regards the applied minimum and maximum levels for the total eligible investments. The minimum is set to 10,000 EUR and the maximum to 500,000 EUR. This means that the maximum number of projects can be as big as 6,558 with an average of 10,000 EUR as minimum level. The maximum will be 131 projects if all projects have costs at the maximum level of 500,000 EUR. None of these extremes will be realized.

Furthermore, it is possible for the same beneficiary to have 3 projects each of the maximum level of 500,000 EUR in total investments. If this is realized, the number of beneficiaries will only be 44. The conclusion is that the defined target of 600 projects, may be challenged due to various causes. A higher-than-expected average of investment costs will reduce the number (IPARD II experience) to 400. But the maximum level of costs (500,000 EUR) and the possibility for beneficiaries to have more than one project, represent a risk to reduce the number to be as low as 44. This will not be the case, but it is clear that the number of beneficiaries may be well lower than the 600.

In 2019, 40,000 farmers are registered with a Tax identification number. It is therefore relevant to consider a way to make sure that the absorption of funds under the measure not exclusively is made by the bigger and more resource strong farms, but also of the smaller farms.

**Measure 3: Investments in physical assets in production and marketing of agricultural and fishery products**

The target is to support 300 projects under this measure. The average investment costs are estimated to be 270,000 EUR. The maximum support is 2,000,000 EUR per beneficiary during the programme period, which will generate 40 projects. A maximum of 3,228 projects will be supported, if the minimum support to eligible investments is used as reference figure with 25,000 EUR per project. If more projects than one per beneficiary and a total support of 3,000,000 EUR, the number of beneficiaries is as low as 27. From IPARD II the average total investment costs were 749,608 EUR. Using this figure as reference, m 110 projects is more realistic than 300 projects as indicated as quantified target in the programme.

**Measure 4: Agri-environment climate and organic farming**

The target is to have 910 ha under 375 environmental contracts. Under organic farming scheme 150 farmers with 410 ha will be supported. For old olive orchards target is 500 ha and for local breeds 4,100 animals. If all hectares under organic farming (with an average payment of 514 EUR/ha) and old olive orchards and all animals are contracted already in first year, which is highly unlikely, then the remaining budget will be sufficient for e.g. 655 ha more of olive orchards or 440 ha more under organic farming or 11,000 more animals. Therefore, a more realistic targets would be 1,000 ha of old olive orchards (which is 6 percent of all old olive orchards); 600 ha under organic production and 6.000 animals of local breeds (which is 30 percent of the current number).

**Measure 5: Implementation of local development strategies-LEADER approach**

Target is to support 10 LAGs and 220 small projects. Annual budget for each LAG is 80,000 EUR and on average each LAG will implement 4 projects per year. Maximum grant for small projects is 5,000 EUR. If all 220 projects have maximum costs, which is not very likely, then the amount for all these projects will be 1,1 mil EUR or 23 percent of the LEADER measure budget. If the average amount per project is 3,000 EUR (which is more realistic), then all projects will cost 660,000 EUR or 14 percent of the total measure budget. Therefore, a more realistic target for small projects would be 400.

**Measure 6: Rural infrastructure**

Measure 6 has four indicators, which are expected to provide an indication of the uptake (). Their target values for 2027 () are clear and seem to be realistic. However, the text does not explain how these targets have been estimated and what is the rationale behind.

Target values for Measure 6 are missing in the table on p. 116 (Chapter 6.5. A summary table of the intervention logic showing the measures selected for IPARD, the quantified targets). The same target values used in the description of the measure (presented here in ) must be entered in Chapter 6.5 table, too.

It should be noted that only one (number of jobs created) of the four Measure 6 indicators () comply with the indicators provided by the EC fiche on rural infrastructure (actually - even that one does not comply fully, because the fiche counts only NEW jobs created). The four Measure 6 indicators used in the fiche are:

1. Total investment in rural diversification, business development and infrastructure (EUR). (Note: IPARD III here counts only “investment in physical capital in rural infrastructure”).
2. Number of new jobs created (Note: IPARD III does not specify that it is about NEW jobs).
3. Number of supported local infrastructures (Note: IPARD III here has “number of supported projects”).
4. Number of IPARD recipients with support in investments related to care for the environment or climate change (Note: IPARD III here has “number of beneficiaries investing in renewable energy production”).

**Table 10: Measure 6 indicators and target values**



**Measure 7: Diversification**

250 projects with an average of 175,063 EUR in total eligible investments are planned under the measure. From IPARD II the average is 221,816 EUR in total eligible investment costs. With this reference figure, the number of expected projects is maybe closer to 200.

**Measure 9: Technical assistance**

Measure 9 has seven indicators, which are expected to provide an indication of the uptake. Their target values for 2027 are clear and seem to be realistic. However, the text does not explain how these targets have been estimated and what is the rationale behind. The target values for the last three Measure 9 indicators ((i) number of promotion materials…; (ii) number of rural networking actions; and (iii) number of potential LAGs supported…) provided in the description of the measure (p. 194) are not coherent with the values provided in the table on p. 117. The same target values must be used in both tables (on p. 117 and p. 194). The list of M9 indicators does not comprise two indicators provided in the EC fiche on technical assistance: (i) number of publicity campaigns, and (ii) number of expert assignments supported.

**Table 11: Measure 9 indicators and target values**



**Measure 10: Advisory services**

Target for recipients of group advice is 8,700. Average number of participants per group is 6, which means that in total 1,450 trainings will be organised or more then 200 each year. This seems to be sufficient to achieve the objectives of the measure. Target is to provide 1,000 advices on AECM, which is realistic and sufficient if target for AECM is 375 contracts.

**Measure 11: Establishment and protection of forests**

Measure 11 has four area-based indicators linked to each of the four sub-measures, which are expected to provide an indication of the uptake. Their target values for 2027 are surprisingly accurate, expressing in a laser-precise manner the expected uptake (e.g. 201 ha instead of rounding it to 200 ha!). Unfortunately, the text does not explain how these targets have been estimated, resulting in such accurate figures. There is also no information about the rationale behind setting the 2027 target values and the corresponding budget for this measure uptake(). Considering that the Environmental Services Project just in two years managed to achieve a much greater uptake than 1,851 ha expected to be covered by Measure 11 in 2027, the target values for 2027 seem to be realistic and attainable. However, this is assuming that the target values presented in are cumulative number of hectares achieved over the period 2023-2027.

IPARD III document is not consistent about the target values for Measure 11. Target values provided on page 218 are substantially lower than the target values for Measure 11 shown in Chapter 6.5. “A summary table of the intervention logic showing the measures selected for IPARD, the quantified targets”, on page 116. The later are 54% higher than target values in page 218. This needs to be harmonised.

**Table 12: Measure 11 indicators and target values**



# Appraisal of monitoring, data collection, implementation system

## Assessment of the implementing provisions for managing, monitoring, and evaluating the programme

Chapter 11 and 12 provides a description of the operational structure including monitoring and evaluation. The chapter is fine, and seems to be complete, but it is kept in a very general style and only explicit refences to Albanian regulation indicates that it is related to IPARD III in Albania.

### MoF NAO SO

The Support Office under the National Authorizing Office (Ministry of Finance) is mobilizing its resources to be able to manage the implementation of IPARD III. Not all positions in the SO are occupied, but recruitment is ongoing and full staff will be ready by the end of 2021.

The head of office expressed high hopes and expectations to the effective implementation of the programme due to the good cooperation between MoF (NAO SO), ARDA and MA/MARD.

### Programme implementation ARDA

An effective implementation of IPARD III is depending on a well-functioning implementation system, including first and foremost effective work processes in ARDA.

The effectiveness of processing of applications and payment claims is central for the programme to generate positive goodwill among stakeholders and thus in the political system. It was mentioned of several stakeholders during interviews with the ex-ante evaluation team that the effectiveness of the processing of applications was too low under IPARD II. The same was the case for the processing of payment claims, but it is the expectations of the stakeholders that the effectiveness will increase under the implementation of IPARD III. Effectiveness can be viewed both from the perspective of beneficiaries and from ARDA. For the beneficiaries, the effectiveness can always be higher due to liquidity gaps and financial restrictions, while ARDA must follow the given rules for control and auditing under the so-called audit trial. ARDA informs the evaluation team that the rules require time due to involvement of many partners in the process of approval. The internal records tell that ARDA uses a time span of 3 months for payment claims, while the maximum according to the agreement with MoF and MA is 6 months.

The ex-ante evaluation team can confirm that an increased effectiveness can be expected. ARDA processes more and more effective, through the building up of experiences, training and plans for re-organisation of some of the work processes. Also, recruitment of new staff is planned according to the workload analysis prepared by ARDA. The table below show the number of fulltime staff distributed on the main work processes. As of February 2021, the total number of staff is 121 with 5 vacant positions. The need for additional staff is calculated to be additional 16 fulltime staff in 2021, 19 in 2022 and 15 in 2023. The planning of staff recruitment does not cover the years from 2024 to 2027.

The workload assumes that ARDA will receive 1,787 applications on measure 1, measure 3 and measure 7 in the period from February 2021 to end of 2023. The figure also covers applications under IPARD II due to the N+4 rule as well as applications under IPARD III. The rejection rate of applications is estimated to be 50% and additional rejections will meet some of the payment claims due to irregularities and incomplete claims. In total 894 projects will be contracted, and 813 projects will be closed with final payments. The workload analysis does not cover the new measures under IPARD III, but ARDA management informs that ARDA is prepared to recruit the needed staff, when the accreditations of the measures are in place.

**Table 13: Workload analysis and labour needs in ARDA, 2021-2023**

| **Directorate/Sector** | **Staff in place**  | **Total No. of Staff** | **Vacant Posts** | **Additional staff needed According to WLA including indicative employment tendency** |
| --- | --- | --- | --- | --- |
| **Management staff** | **Operational staff** | **2021** | **2021** | **2021** | **2022** | **2023** |
| **DPSA** | 1 |   | **32** | 0 | 0 | 0 | 0 |
| **Sector for Project Selection and Approval for IPARD** | 2 | 29 | 2 |
| **DPA** | 1 |   | **18** | 0 | 4 | 5 | 0 |
| **Sector for Authorisation of payment for IPARD** | 1 | 16 | 0 |
| **DC** | 1 |   | **29** | 0 |   |   |   |
| **Sector for control, IPARD** | 1 | 22 | 0 | 5 | 3 | 0 |
| **Sector for monitoring** | 1 | 4 | 0 | 0 | 0 | 8 |
| **DEP** | 1 |   | **6** | 0 |   |   |   |
| **Sector for execution of payment, IPARD** | 1 | 4 | 0 | 1 | 1 | 5 |
| **DF** | 1 |   | 5 | 0 |   |   |   |
| **Sector for Accounting** | 1 | 3 | 0 | 1 | 2 | 2 |
| **DLGA** | 1 |   | **21** | 0 |   | 0 | 0 |
| **Sector for Human Resources** | 1 | 3 | 0 | 2 | 0 | 0 |
| **Sector for Legal Affairs** | 1 | 4 | 0 | 0 | 3 | 0 |
| **Sector for IT** | 1 | 5 | 2 | 0 | 2 | 0 |
| **Sector of compliance acquis approximation and foreign assistance** |   | 2 | 0 | 0 | 0 | 0 |
| **Sector for debt management** | 1 | 2 | 0 | 0 | 2 | 0 |
| **Sector for Risk management, fraud analyzes and reporting** | 1 | 2 | **3** | 0 | 2 | 0 | 0 |
|  |
| **Sector of internal audit** | 1 | 3 | **4** | 1 | 1 | 1 | 0 |  |
| **Sector for Promotion and Communication**  | 1 | 2 | **3** | 0 | 0 | 0 | 0 |  |
| 0 |  |
| **Total** | **20** | **101** | **121** | **5** | **16** | **19** | **15** |  |

*Source: ARDA, 2021*

The total number of contracts and beneficiaries under IPARD III is around 2,000 covering all measures during the period from 2022 to 2027 plus additional N+2 years. It is an average of 250 contracts per year and 500 applications per year with the assumed rejection rate of 50% of the applications. The number of work processes is not dramatic compared to the current situation in ARDA under IPARD II, and the dynamic increase in effectiveness due to better training, more experiences and improved work processes will contribute to a higher effectiveness during the new programme period compared to IPARD II.

According to information from ARDA, the training of ARDA staff include 113 training events from 2018 to 2020 covering all relevant topics for the staff in ARDA in order to facilitate a smooth implementation of the programmes.

Furthermore, it should be mention that ARDA cooperate with designated technical bodies in the implementation of existing as well as new measures. The cooperation is based on MoU and written guidelines, checklists and procedures.

**Transparency**

Another issue of importance is transparency. Stakeholders have claimed during interviews that the transparency of decisions regarding contracting, payments and rejections have been unsatisfactory under IPARD II and that improvements are expected for the coming programming period.

ARDA has a dedicated policy to ensure transparency, and the components in the transparency programme are presented on the ARDA website. The programme includes carefully prepared guidelines for applicants for payment claims and regarding eligible and selection criteria for the individual measures. The contracted beneficiaries are listed on the website with names, addresses, eligible investments under IPARD and the relevant measure. It is the judgment of the ex-ante evaluation team that the transparency programme in principle is well designed.

One point in the process to ensure transparency is the use of the price reference database for technologies, equipment and constructions. It is important that the database is well-functioning and updated and that procedures for use and updating are published. Together with a number of other points, the EU Auditors have criticized ARDA for the use of the database, and the ex-ante evaluation team expects that ARDA and MA will take steps to make sure that the criticism from EU is addressed and that the database will be optimal operational as soon as possible and at least from the start of the new programme period.

### Managing Authority

The managing Authority (MA) is operational and with experienced staff. Two jobs are vacant, but it is expected that the positions will be occupied before the approval of the programme in EU. The competences are in place to contribute to the implementation of the programme, although continued training is needed to ensure up to date competences and optimal management of the programme.

**Entrusted conditions**

The approval of EU of the IPARD III programme 2021 - 2027 by the end of the year will be based on the precondition that MARD fulfils the requirements expressed in the latest annual progress report from EU. The requirements are:

* A well-functioning farm register,
* A well-functioning animal register and
* An action plan for the development and implementation of the FADN system.

MARD (the minster) has confirmed in interviews with the ex-ante evaluation team that the minister has taken appropriate action to ensure that a farm register is established. A technical working group already established will be enhanced with external expertise to construct the farm register based on existing databases and farm registrations. Furthermore, the existing animal register will be strengthened by development of improved procedures for updating, monitoring and control.

Regarding the elaboration of a FADN system, the minister has taken steps to prepare an action for the development and implementation of the FADN system with the help of donor support from FAO.

The minster is convinced that all three preconditions will be fulfilled by the end of the year and these requirements from Eu will not be prohibitive for the approval of the new IPARD III programme.

The ex-ante evaluation team takes notice of this guarantee and confirms the steps taken by the ministry.

**Monitoring**

The conducted monitoring carried out of MA in cooperation with ARDA and is accomplished in line with the requirements in the relevant regulation. The monitoring is based on the required input and output indicators, which are financial indicators and physical indicators.

Monitoring reports can be improved with homogeneous financial tables making comparability analysis possible from year to year and from report to report. It has been the observation of the ex-ante evaluator that full monitoring information is not available from the reports published so far, including AIR 2020. An example of a monitoring table referring to applications is inserted below:

**Table 14: Monitoring table for applications**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Measure | Number of applications | Total eligible investments | Total public support | EU support | National support | PrivateCo-financing |
| 1 |  |  |  |  |  |  |
| 3 |  |  |  |  |  |  |
| 4 |  |  |  |  |  |  |
| n |  |  |  |  |  |  |

The table should also be used to cover contracts and payments and be used for each call and for each full year and should be divided on sub sectors and regions.

**Evaluation**

During the implementation of IPARD II, MA has not used the possibilities in the relevant regulation to carry out interim or ongoing evaluations of the programme. Under IPARD III, the accreditation of the Technical Assistance measure gives the MA the opportunity to initiate not only the mandatory evaluation of the IPARD III, but also to initiate other studies and analyses, which may be relevant for an effective implementation of the programme. The initiatives to these studies and analyses may come from MA itself, from ARDA, form the Monitoring Committee, from EU and from other partners.

The design of evaluations and studies should follow international guidelines for such activities. A central source of information to relevant guidelines for evaluation, impact assessments and similar studies is the EU Helpdesk for evaluations[[8]](#footnote-8).

## Analysis of possible difficulties in implementation and critical incidents, in the previous programming periods (national and/or IPARD II or other donors assisted programmes)

The dialogue with MA, ARDA and stakeholders has contributed to the identification of the following topics relevant in this context. The ex-ante evaluator has commented each of the topics indicating the expected solution to the identified problems.

* Incomplete applications and payment claims did lead to relatively long processing time in ARDA.

Under IPARD III, ARDA will increase its effectiveness dynamically through training, experience development and recruitment of more staff. Furthermore, the advisory services will improve and enhance their advice to potential applicants and beneficiaries in helping applicants to prepare better applications and beneficiaries to prepare better payment claims.

* Stakeholders experienced low effectiveness in ARDA in the processing of applications and payment claims.

Under IPARD III, ARDA will increase effectiveness dynamically through training and recruitment of more staff.

* Problems with the documentation of ownership of land delayed approval processes.

Under IPARD III, a new functional farm register and an updated animal register will eliminate the problem.

* Problems for applicants to get permits and authorisations for building constructions and for environmental permits.

Under IPARD III, better dialogue between relevant authorities, designated technical bodies, applicants and ARDA will contribute reducing the problem.

* Stakeholders experienced lack of transparency in the decisions about granting support to projects.

Under IPARD III, improved guidelines for applicants, if needed, improved communication to the individual applicants and beneficiaries about the basic principles behind decisions and improved use of the ARDA web site to describe procedures will contribute to solve the problem.

* Risk of inflated invoices and payment claims.

Under IPARD III, described procedures for and a specific plan for the update of the price reference database in ARDA will contribute to eliminate the problem.

* Difficulties for beneficiaries to finance investment costs a priori and to wait to get reimbursed after the investment is done.

Under IPARD III, it is recommended to use advance payments and payments in minimum two tranches: One defined percentage (40%) when the investment is initiated and one percentage (60%) when the investment is finished and controlled, and the final payment claim has been submitted.

* Difficulties for beneficiaries to understand and live up to national minimum standards and EU standards.

Under IPARD III, assistance to technical bodies within MARD to cooperate with the ARDA in the preparation of necessary technical documents (standards, codes and Good Agricultural and Manufacturing Practices) in line with national/EU regulations and verify their compliance in the field will contribute solving the problem. Advisory services will also enhance the advice to applicants and beneficiaries regarding the topic and will also contribute reducing the problem.

It is the expectation of the ex-ante evaluation team that the identified difficulties will be addressed under IPARD III and that solutions will reduce the problems met during the implementation of IPARD II.

## Assessment and feedback on administrative simplification for IPARD III recipients

The following topics will lead to administrative simplifications under IPARD III compared to the implementation under IPARD II:

* Increased effectiveness of the work processes in ARDA due to training, competence development and experiences.
* Improved assistance to potential applicants through the advisory services to improve the quality of application forms and payment claims. This will also increase the effectiveness of work processes in ARDA.
* Increased digitalization of applications, payment claims and dialogues with beneficiaries.

## Assessment of the availability of support for recipients and IPARD bodies e.g. advisory services, training and LEADER capacity

Support to potential applicants and recipients will be available through Advisory service measure. This is well described in chapter 8.3.8 of the IPARD III programme.

Support to IPARD bodies will be primarily available through Technical assistance measure. The recipient of this measure is the MA. However, other IPARD III entities and related bodies (operating structure, management structure, advisory services, technical bodies, potential LAGs and national rural development networks can benefit from the Technical assistance activities via the MA. Support will be available for strengthening the national administrations managing the IPARD programme (trainings, including on-the-job trainings; study visits); for the improvement of the capacity of the national advisory services; support for establishment and preparation of potential LAGs; for improving the capacities of local entities (e.g. municipalities, regional entities) supporting the implementation of the IPARD programme; for providing support for external expertise; for the communication and information about the IPARD III programme, etc.

Support for the preparation of the National Rural Development Network (NRDN) will be also available from TA measure. This is important because 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.

## Assessment of the verifiability and controllability of IPARD III measures

See the assessment of individual measures.

## Assessment of the quality and the extent of partnership arrangements

**The text suggests a modest overall quality and the extent of the consultation process – but the feedback received from stakeholders suggests indicated a particularly good consultation process**

The information about the process of consultations with relevant stakeholders on IPARD III programming and provisions, and its results is provided mainly in Chapter 13 and in Annex 9 (not in Annex 7 as wrongly stated in Chapter 13.3). The text suggests a modest overall quality and the extent of the consultation with social, economic, and environmental stakeholders in the process of IPARD III programming and partnership arrangements (including the composition of the Monitoring Committee). However, the feedback received from stakeholders suggests the opposite – a particularly good, participatory, and an inclusive consultation process. For instance: ANRD wrote the on NRDN and the LEADER measure and the Ministry of Tourism and Environment was deeply involved in preparing Measure 11 on forestry.

**Experiences gained through previous consultation process were not sufficiently exploited**

The IPARD III document highlights at multiple places that Albania has gained a substantial experience in setting-up rural development programs in a participatory manner, involving a range of stakeholders. It states that:

1. “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”.
2. “Partnership was widely applied” in the preparation of the key documents/strategies for agriculture and rural development, including IPARD II and sector studies for IPARD III.
3. “Various partnership forms and consultations” were required and/or established in foreign-funded projects, such as those financed by the WB/IFA, GiZ, ADA, SIDA, SECO, USAID, etc.
4. “The participatory rural development has been promoted in Albania through several international and bilateral assistance projects implemented in the last 20 years. These projects established LAGs, thematic forums and other partnership structures for cooperation of public, private and civil sector in rural areas”.
5. “ANRD has made efforts to introduce the LEADER approach, to increase the knowledge and capacities of various stakeholders, including CSOs, local government and other public institutions and private enterprise, as well as fostering local partnerships”.

From these statements it appears that Albanian agricultural and rural development sectors, including policy makers and administration have acquired quite some experiences in conducting consultations with relevant stakeholders, and in establishing partnership arrangements enabling a smooth/effective implementation and monitoring of agricultural and rural development programs. Unfortunately, the text does not suggest that the consultation process adequately relied on the experiences gained through the previous similar experiences. But – as already mentioned, the stakeholders interviewed praised the consultation process pretty much.

**A list of organisations that took part in the consultation process is messy**

From the IPARD III document it is difficult to comprehend which stakeholders took part in the consultation process. The two tables presented in Chapter 13 list twenty-eight NGOs and thirteen public institutions that were involved in the consultation process. But its text refers also to some other organisations, which are not listed in the tables. At the same time, the text repeats all “Line Ministries” (except the Ministry of Culture) which are already listed in the table. Annex 9 creates an additional confusion. It lists as many as ten organisations that were involved in the consultation process, but which are not mentioned in Chapter 13. These are (i) National Forest Agency, (ii) National Federation of Forests and Pastures, (iii) ARDA, (iv) LAG representatives, (v) SIDA, (vi) NGO Integration, (vii) Guesthouse, (viii) KASH, and (ix) World Vision. This list might be even bigger because Annex 9 does not provide an affiliation of the four experts who took part in the consultation process on April 21.

The lack of a comprehensive list of stakeholders (with an indication of their key competences) involved in the consultation process prevents a sound judgement about whether the consultation process involved an adequate blend of actors, which besides GOs includes grassroot organisations (notably farmers’ organisations), local/regional authorities, farm advisors, LAG representatives, scientific community, foresters, rural businesses, etc.

**Too few NGOs were involved in the consultation process**

Out of twenty-eight NGOs listed in a table in Chapter 13, only twenty could qualify for an NGO status, because five out of twenty-eight listed organisations are faculties, one is an institute and two are producers. Considering that Albania has numerous NGOs working in the field of agriculture, rural development, environment, gender issues, social justice, etc., the involvement of just twenty NGOs in the consultation process does not seem to be sufficiently inadequate. The text should have explained/justified this better – for instance that ANRD alone represents more than 20 NGOs.

**There is no clear evidence that the organisations specialised in environmental protection and gender issues were adequately involved in the consultation**

The table provided in Chapter 13 lists as many as twenty-eight non-governmental organisations (NGOs) that took part in the consultation process and provides an indication of their key competence. The core expertise of the most of these relates to agriculture, local/regional and rural development. The others are involved mainly in training, science and education, or agriculture-related businesses. In general, this composition is fine. However, from this list it appears that the environmental/nature protection NGOs have not at all been involved in the consultation process. This is a serious weakness, as the environmental/nature protection is a typical field in which NGOs often have a more comprehensive expertise, show more enthusiasm, and have a clearer vision than other organisations. The same goes for the Albanian NGOs specialised in women/gender issues, which were likely to have been able to offer an invaluable contribution[[9]](#footnote-9). Chapter 13 also suggests that thirteen “public authorities and bodies” took part in the consultation process. However, it appears that none of them is specialised/responsible for the environment (water, climate, soil, and air) and gender issues. This is another example of underrepresentation/lack of care for the environmental and gender components in the programme.

**Missing details about the first stage of the consultation process**

Annex 9 provides an information about the second stage of the consultation process. However, there was not any attempt to prepare a similar information about the first stage of the consultation process. It seems that this stage has involved substantially more stakeholders than the second stage. However, there is information about the dates of the consultation sessions, their duration, subjects discussed, key results, stakeholders involved, etc.

**A messy Annex 9 overview of the consultation subjects and corresponding results**

The table in Annex 9 provides a summary of the results of the consultations carried out in the second stage. However, this table is difficult to “decode”. Chapter 13 suggests that the consultation process covered a range of issues relevant for IPARD III. However, the table in Annex 9, under the column “Subject of the consultation” lists only three subjects:

“Objectives of the measures 11 - eligibility rules, selection criteria and budget”

“Objectives of the measures - eligibility rules, selection criteria and budget”

“Objectives of the measures - eligibility rules, selection criteria and budget”

The first subject obviously refers to Measure 11 (Establishment and protection of forests). However, the corresponding column “Summary of the results” provides information that is not primarily directed to forests – which is difficult (if not impossible) to relate to Measure 11, such as:

* Construction of hydropower plants (and their eligibility for Measure 5)
* LEADER approach and LAGs (also in the context of investments supporting sport centers, parks for children, tourism, etc.)
* Greenhouses and production of vegetables in greenhouses
* (Relationship between) milk production and the number of animals
* Processing of organic waste
* Production of vegetable seedlings
* Infrastructure for irrigation
* Organic farming and organic farming trainers.

The information provided about the other two subjects (“Objectives of the measures - eligibility rules, selection criteria and budget”) provided in Annex 9 is highly misleading, too. Their corresponding column “Summary of the results” suggests that these two subjects refer to wine production, slaughterhouses, handicraft business, etc. However, it is difficult to depict their common denominator.

The column “Subject of the consultation” of the last two rows of the table in Annex 9 is empty. So, no subject has been specified. However, the text in the corresponding “Summary of the results” suggest that these two subjects refer to irrigation, agri-environment and organic farming.

Annex 9 indicate that organisations (or experts) have only been consulted on specific technical aspects e.g. forestry organisations consulted on forestry issues, but not more generally on the strategies behind the programme.

**The second stage of the consultation last just 10 hours, with some consultation sessions of just 10 minutes**

The table in Annex 9 suggests that the consultation process in the second stage has been carried out over six days, with a total duration of approximately ten hours (1.7 hour per day in average). However, some consultation sessions last only 10 or 20 minutes (on April 21, 2021), which is obviously too short for a sound discussion and analysis. Moreover – a total load of just about ten hours of consultations is not sufficient.

**Scarce information on the composition of IPARD III Programme Monitoring Committee**

The IPARD III document provides truly little information (actually, just 4 sentences) on the composition of the IPARD III Programme Monitoring Committee. It suggests that:

* + 1. The Monitoring Committee members will be composed of representatives from relevant public authorities and bodies, economic, social and environmental partners.
		2. It will be chaired by the Minister of MARD.
		3. Members will be selected among the organisations, consulted during the Programme preparation.
		4. Representatives of the Commission, NIPAC and NAO SO, IPARD OS will participate in its work in an advisory role without voting right.
		5. Representatives of international organisations, including international financial institutions, bilateral donors, banking sector, academia and other organisations, relevant to the IPARD III programme may also be invited.
		6. The list of members of the MC will be published on the Programme website.

From this general information it is not possible to judge whether the composition of the IPARD III Programme Monitoring Committee is appropriate and balanced, with the key economic, social and environmental stakeholders being adequately represented. One can only conclude that the composition of the Monitoring Committee has not been elaborated in a sufficient depth.

# Conclusions and recommendations

## Main conclusions

The main conclusions from the ex-ante evaluation are summarized below. However, more specific findings and conclusions are also included in the previous chapters.

* Programme text need editing, layout and proofreading and must match the template.
* The analysis of the situation in the sectors suffers from lack of appropriate and comprehensive data, in particularly lack of financial data for agriculture and agri-processing, aggregated as well as on sub-sector level. The context indicator list is not complete.
* The SWOT analysis is not prepared in accordance with usual practises and need editing, for example in a summary text and table.
* The IPARD III strategy is not prepared, and the identification of needs and their prioritization is not complete.
* The description of measures is generally good, but improvements of text and explanations can still lead to even better measure descriptions.
* The maximum levels of total eligible investment costs for measure 1 and measure 3 and the maximum level of investment cots per beneficiaries are too high and may restrict the distribution of resources to smaller and weaker farmers and agri-processors.
* The implementing structures are well described and are in place to facilitate an effective implementation of the programme. However, steps can be taken to increase effectiveness in ARDA and to improve the transparency of the decisions taken in ARDA.
* Recruitment of staff to vacant jobs in ARDA and MA is still not accomplished to support the implementation, but the recruitment processes are started.
* The Farm register is not in place. The animal register is not updated on a regular basis. The FADN system is not in place. However, MARD has taken steps to make sure that the registers are in place and operational when the programme is ready to be opened. An action plan for the development of the FADN system will be ready by the end of 2021.
* Enforcement of national minimum standards is needed to avoid unfair competition in the sectors.
* Steps must be taken to increase the transparency of decisions taken in ARDA. This requires an updated and operational price reference data base.
* Stakeholder involvement in the programming process has been good but is not comprehensively described in the programme text.
* Fully implemented, the IPARD III programme will support 1700 farmers, agri-processors and rural dwellers, support the sector with 15,000 advisory services. The investments will generate an increase in GVA in agriculture and agri-processing of 30.9 million EUR equal to 1.16% of GVA of agriculture and agri-processing in total. 2558 new jobs will be generated, and 2558 jobs maintained in agriculture and agri-processing, equal to 1.1 % of the work force in the two sectors. Finally, investments in rural infrastructure will contribute to improved living conditions in rural areas, and support to investments in forestry, organic farming and endangered local breeds will deliver to nature and to biodiversity as well as to economic development in the sector.

## Main recommendations

The following table summarizes the main recommendations from the ex-ante evaluation. The table does not cover all recommendations and advice from the previous chapters but is focusing on the most important ones.

The Managing Authority and ARDA has commented each of the main recommendations and the replies/feedback are inserted in the right-wing column.

***Table 15: Recommendations distributed on IPARD III programme chapters and with importance score***

| **IPARD III chapter****Topic** | **Recommendation** | **Importance: High, medium, low** | **How recommendations have been addressed, or the justification not to take them into account**  |
| --- | --- | --- | --- |
| GeneralText, editing and proof reading | It is recommended to edit the full programme document to make the text streamlined regarding headings, font size and type, abbreviation principles etc, to proofread the English language and to ensure a professional layout of the document | High | Accepted.Text, editing and proofreading will be made after finalization of the programme including the recommendations from Dg Agri and the green door is open to officially submit the programme. |
| GeneralTemplate compliance | It is recommended to make sure that the text of the draft IPARD III programme match the required template and does not exceed the defined amount of text per topic. | High | Accepted.Done. |
| Chapter 3Context indicators | It is recommended for MARD and INSTAT to take the needed steps to develop procedures for data collection and to start the work so that MARD can update the indicator list as soon as possible.  | High | Accepted.The information on missing context indicators was added, where possible, accordingly with latest template from Dg Agri. |
| Chapter 3Context indicators | It is recommended for MARD to recruit and organise staff to be able to collection and analyze administrative statistical data, while the official sector data must be collected and reported by INSTAT. | High | In MARD a Sector for Statistics is established, staff is recruited, but still need training how to collect and analyse administrative statistical data collected and reported by INSTAT |
| Chapter 3SWOT | It is recommended to edit the SWOT along the lines proposed here: Ensure a correct categorization of the SWOT elements, avoid symptoms as SWOT elements, reduce the number of tables, and prepare a summary text as proposed in the ex-ante evaluation report. | Medium | Accepted.The synthesis of SWOT has been added.Summary table is prepared and the sectorial SWOTs moved to annex. |
| Chapter 3Lessons learnt | It is recommended to prepare the launch of an evaluation (interim or ex-post) of IPARD II to get more information about the results and impacts of the programme. The same recommendation can be for national support schemes also focusing on financial indicators and not only physical indicators. | Medium | Accepted.MARD will proceed according to article 57 of Sectoral Agreement for interim evaluation if the Commission considers it appropriate. In the third year following the year of adoption of the first entrustment of budget implementation tasks for the IPARD II programme, an interim evaluation shall be performed. |
| Chapter 3Lessons learnt | It is recommended to collect evaluations and studies from donors implementing programmes in Albania. Reports are available from WB, GIZ, and others and these reports could be used to extract lessons learnt and then to improve the programme design. The donor cooperation platform is an obvious tool to facilitate this exchange of experiences and lessons learnt among the donors and MARD. | Medium | Not Accepted.Lessons learnt are drafted based on reports available from donors |
| Chapter 6IPARD III strategy | Section 6.2 should present the identification of the needs, the prioritization of these needs, and the overall strategy for IPARD III programme, including the ways MARD intends to target the needs, with the help of IPARD III and with the help of other instruments and with donor assistance. The section is not completed and cannot be assessed at this stage. It is recommended to finalize the section before the programme is submitted to EU for approval. | High | Accepted.The section is prepared based on evidence from SWOT analyses for each of the needs identified, IPARD measures, IPA interventions and national support. |
| Chapter 6IPARD III strategy | It is recommended to build objectives hierarchy including the overall objectives, the specific objectives, and the operational objectives for the IPARD programme. The ex-ante evaluation report provides an example for inspiration. | High | Accepted.Description of the national rural development and fishery strategy as per hierarchy objectives including general objectives, specific objectives and priorities. |
| Chapter 6Quantified targets | The list of quantified targets should be revised, edited and completed with correct financial data, realistic targets where relevant and missing data. | Medium | Accepted.Revised accordingly. |
| Chapter 8Requirements concerning all measures | It is recommended to reconsider the 12% level of general costs and, if possible, within the regulation, to reduce the percentage | Medium | Accepted. If possible, within the regulation, to reduce the percentage. |
| Chapter 8Requirements concerning all measures | It is recommended to considered to what extent the requirement for a bank guarantee of 110% of the advance payment is necessary. if possible, within the regulation, to reduce the percentage | Medium | Accepted.If possible, within the regulation, to reduce the percentage.In ARDA’s opinion this should not be accepted, as limit values and specifications in regard were suggested also by Financial Monitoring Authority (AMF) during implementation of IPARD II. |
| Chapter 8Requirements concerning all measures | Regarding the age of a Young farmer, It is recommended to reconsider the formulation in the text. A young farmer must not be 40 years before the date; he/she is applying for support.  | Medium | Accepted. |
| Chapter 8Requirements concerning all measures | It is recommended that MARD and MA take the needed steps to update and make operational the price reference database in ARDA. | High | Not accepted Auditors recommended ARDA to prepare price reference database. ARDA is doing this with the support from GIZ. |
| Chapter 8Measure 1 | It is recommended to reconsider the maximum level of eligible investment costs (500,000 EUR) and the possibility that one beneficiary may accomplish 3 projects with a total of 1,500,000 EUR. The reason is that this possibility may absorb a big share of the financial envelope for the measure and reduce the number of beneficiaries from the planned 600. This will only be to the benefit for the bigger farms and not for them smaller farms. | High | Not accepted because the average per grant demand in IPARD II was 145,000 EUR. No risk. |
| Chapter 8Measure 1Non-productive investments | It is recommended to add purchase of shepherd dog as eligible investment.It is recommended to use following selection criteria: (i) obligatory participation in Measure 4 after the investment; (ii) support only to farmers with traditional breeds; (iii) hedges planted only from autochthonous and domesticated shrubs and trees.It is recommended to increase the budget and the target of beneficiaries and projects (at least 50 projects) | High | Not accepted. Non eligible. Accepted. Budget is increased to 50,000 EUR.  |
| Chapter 8Measure 3 | It is recommended to reconsider the maximum level of eligible investment cost per project (2,000,000 EUR) as well as the maximum level of eligible investments per beneficiary (3,000,000 EUR). | High | Not accepted because the average per grant demand in IPARD II was 428,000 EUR. No risk. |
| Chapter 8Measure 4 | It is advised to check the data regarding area under organic farming (both wild collection and cultivated) and harmonize them throughout the document and also to provide explanation and rationale behind the targets for AECM, including the trends in the number of animals of local breeds.It is advised to delete the requirement for the preparation of agri-environmental plan.It is advised to consider giving priority to fruits and vegetables production over MAPs, because MAPs already make more than 80 percent of cultivated organic production.It is recommended that MA cross-check (‘nationalize’) AECM payment calculations either internally in MARD or externally in a cooperation with relevant expertise, for example at the Agricultural University in Tirana. | High | Accepted.Done |
| Chapter 8Measure 6 | It is recommended to make the following revisions: Reduce the number of specific objectives and formulate them shaper. Revise/complete the text under “common eligibility criteria“. Define more clearly specific eligibility criteria numbered from 4 to 9. Re-examine and re-define examples of eligible investment so that these are in line with the EC requirements and exampled provided in the fiche. Revise/improve the selection criteria grid and scoring system (notably for the impact on the environment!). Replace the Albanian text with English. Re-examine the list of indicators and align them with the indicators provided in the EC fiche. Explain why M6 has a modest budget although the needs for improving rural infrastructure are paramount. | LowHighHighHighLow | Accepted.Done. |
| Chapter 8Measure 7 | It is advised to cross-check and clarify the meaning/ soundness of several numerical values presented (for details, see the comments on the measure).  | Medium | Accepted.Done. |
| Chapter 8Measure 9 | It is recommended to make the following revisions: Explain more clearly how Measure 9 will support the advisory service. Consider employing Measure 9 in supporting municipalities in preparing MFPM (Measure 11). Reduce the number of specific objectives, cluster them and make them more coherent with rationale. Explain better the linkage to other IPARD and national measures. Reconsider the list of potential beneficiaries and make it possible for other stakeholders to benefit, too.Re-examine the list of indicators and align them with the indicators provided in the EC fiche. Delete the repetitive text in the section on administrative procedures | HighLowLowMediumHighHigh | Accepted.Done. |
| Chapter 8Measure 10 | It is advised to explore the possibility to invoice and/or subcontract other advisory providers, such as e.g. agricultural chambers, development agencies, NGOs, municipal councils, etc. While private firms and consultants are not eligible, the private extension services sub-contracted by the MARD as a part of national advisory system can be eligible. | Medium | Not accepted (MA)In ARDA’s opinion, this recommendation should maybe be taken into consideration. |
| Chapter 8Measure 11 | It is recommended to make the following revisions: Make the relationship between cause and effects/consequences presented in the rationale section more coherent.Explain better the linkage to other IPARD measures and to national measures. Address better how Measure 11 will solve the problem of the lack/expired MFPM and consider providing support from technical assistance (M9).Describe better and in more detail the eligibility criteria per sector. Make the target values (“numbers”) consistent throughout the text.  | LowLowHighLowHigh | Accepted.Done. |
| Chapter 10Complementarily to national schemes | New investment support measures may be applied by MARD, and it is recommended to bring consistency into the text so that text stating that no other investment supports than IPARD III will be available for the sector are deleted. | Low | Accepted. |
| Chapter 11ARDA | It is recommended to take steps to analyse the current work processes in ARDA to assess the possibilities for increased effectiveness. | Medium | Accepted. With the help of EU support workload analyses, self-assessments and analysis of current work processes will be accomplished during 2H, 2021.The preparation and finalization of the WLA and structure will be end until October 2021 and will be submitted for approval at competent authorities.It’s foreseen that until the end of 2021 beginning of 2022 after approval to start the procedure for recruiting at DoPA. Same time ARDA is preparing to have training of the existing and new recruited staff in different topics related to the processes, which the implementation of the programme goes through, in such a way to rise the effectiveness of the work within ARDA and stable staff. |
| Chapter 11ARDA | It is recommended to optimize the use of the price reference database to ensure correct values of approved invoices. Guidelines or procedures for the update of the database should be prepared. | High | Partially Accepted as procedures in regard have been already drafted.ARDA has made huge progress on establishing a PRDB system;With the assistance of the external expertise contracted through GIZ for this aim, ARDA has prepared the methodology model of PRDB and the relevant procedures regarding to the manner of functionality, using and updating data of the system.Training of the staff are done.Second, the IT tool has been prepared in accordance with the model selected and prepared in collaboration with the experts for the PRDB and have tested the functionality of the system on the IT aspect.The database is received by ARDA so the infrastructure is ready.Training of the staff are done in regard of using the system.Following ARDA will take steps for filling the PRDB with the relevant data to be used further in the process for IPARD implementing programme. The work is in progress and will be ready for IPARD III.Further training will be done for existing and new staff.  |
| Chapter 11ARDA | It is recommended to plan the recruitment of staff needed to implement the full IPARD III programme, including new not yet accredited measures. | Medium | Accepted.Following the WLA, see above, the recruitment of staff will be initiated by taking into consideration the WLA for all measures of the IPARD III. |
| Chapter 11MA | It is recommended to plan the recruitment of staff needed to fill out vacant positions in the MA and to ensure competence building through training. | Medium | Accepted |
| Chapter 13Consultation & partnership | It is recommended to make the information provided in Chapter 13 and Annex 9 more coherent and to better explain the consultation process.  | Medium | Accepted  |



1. With refence to the draft EU regulation on CAP strategic plans: <https://eur-lex.europa.eu/resource.html?uri=cellar:aa85fa9a-65a0-11e8-ab9c-01aa75ed71a1.0003.02/DOC_1&format=PDF> [↑](#footnote-ref-1)
2. AIR2020 refers to an EU audit, where the function of the price reference database was questioned. It is the expectation of the ex-ante evaluation team, that MARD and ARDA takes the needed step to meet this critical remark. [↑](#footnote-ref-2)
3. https://ec.europa.eu/info/sites/default/files/food-farming-fisheries/farming/documents/agricultural-capital-land-value\_en.pdf [↑](#footnote-ref-3)
4. <https://ec.europa.eu/info/sites/default/files/food-farming-fisheries/farming/documents/cap-context-indicators-table_2019_en.pdf> [↑](#footnote-ref-4)
5. In AIR2020 the value of production in the food industry is indicated to be 570 million EUR. This figure seems to be far too high, when compared to GVA referred to in the C14 context indicator. [↑](#footnote-ref-5)
6. <https://ec.europa.eu/info/sites/default/files/food-farming-fisheries/farming/documents/cap-context-indicators-table_2019_en.pdf> [↑](#footnote-ref-6)
7. Interview with associate professor, dr. Drini Imami, Agricultural University of Tirana. [↑](#footnote-ref-7)
8. https://enrd.ec.europa.eu/evaluation\_en [↑](#footnote-ref-8)
9. Chapter 13 mentions involvement of the Albanian Women Association – but it does not provide any further details about it. So, it remains unclear if this organisation has been sufficiently included in the consultation process. Annex 9 also mentions that two gender experts from SIDA took part in the consultation. However, SIDA cannot be considered as a genuine Albanian organisation. [↑](#footnote-ref-9)