

MATRIX OF RECOMMENDATIONS

DOMESTIC PRODUCTION, IMPORT SUBSTITUTION AND INVESTMENT PROMOTION IN AGRO-PROCESSING

**INVESTMENT COUNCIL SECRETARIAT
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Matrix of recommendations “DOMESTIC PRODUCTION, IMPORT SUBSTITUTION AND INVESTMENT PROMOTION IN AGRO-PROCESSING” aims to summarize the recommendations and solutions proposed in the Technical Note and serves as an Internal Plan for monitoring from AIC secretariat team in order to follow up their implementation.

The following recommendations are product of the analyses and consultation of IC Secretariat with a large number of stakeholders and experts both in private and public sector. Nevertheless, the recommendations provided herein does not anticipate for exhausting solutions to the problems and issues that agriculture and agro processing faces. Their aim is to bring the sectors under the attention of decision-makers, by establishing and strengthening the focus towards domestic products and “made in Albania” brand. The final aim is to (1) attract investors in the sectors by investing in pre-sorting, sizing, curing, brushing, sorting, packaging and labelling lines in order to achieve strict quality control and compliance with (international) standards (2) support policies based on contemporary methodologies with a focus on high value agricultural products/ activities in international markets. In order not to be repetitive, we have not included in this section other recommendations approved in the past IC Meetings , some of which remains still coherent and relevant for the analysed sectors.

INTERVENTION / RECOMMENDATION	RESPONSIBLE INSTITUTION	TERM
1. COOPERATION, VALUE CHAIN INTEGRATION AND SUPPLY OF RAW MATERIALS		
REC. 1) In order to incentivise improved farmers’ cooperation within the four above mentioned key sub-sectors, it is recommended to introduce incentives and support schemes targeted to the four sub-sectors, such as: ✓ Reduce administrative procedures and introduce administrative incentives for land registration and construction permits for members of cooperative/farmers’ organizations; obviously special respect to private property rights. ✓ Introduce fiscal incentives for the farmers’ cooperative (i.e. lower local/property taxes, etc.); ✓ introduce credit support schemes (i.e. guarantee schemes and preferential banking interest rates for loans application by the farmer organisations/cooperatives);	• MFE/MBZHR • MFE/MBZHR • MBZHR/AZHBR	Short term Short term Middle term
REC 2. Incentivising/stimulating the increased value chain integration and supply of raw materials for Agro-processing in the four selected specific sub-sectors, through:		

✓ Contract farming and large-scale production: (i) introduce new support schemes (by ARDA) for stimulation contract farming, especially in MAPs and tomato production destined for processing industry; (ii) increase government insurance schemes on contracted large-scale production of MAPs, fruit trees (especially citrus) and tomatoes destined for the processing industry.	• MBZHR/AZHBR	Short term
✓ Medicinal plants sector: Introduce incentives (administrative/procedures, favourable renting tariffs) for renting of public land (from MoARD and local government) for the cultivation of medicinal plants destined for the production of essences (especially for products such as laurel, helichrysum, black juniper, etc.). Besides the high demand for exports of essential oils, it should be also an impetus for the use of these products in the Albanian pharmaceutical sector.	• MBZHR/AZHBR	Short term
✓ Tomatoes for the processing industry. Introduce support schemes (by ARDA, i.e. a fixed amount per hectare or per ton delivered at the factory) incentivising cultivation of open field tomatoes destined for the processing industry, using the right varieties/cultivars that are suitable for the sauce production. This is also seen as a better orientation for farmers to diversify farm production in the open field and increase the land-use efficiency.	• MBZHR/AZHBR	Long term
✓ Nuts: (a) Introduction of support schemes (by ARDA) for rehabilitation of the existing chestnut forests as well as in their protection against diseases which cannot be done by individual farmers alone; (b) increase the support for plantation new orchards of chestnuts and walnuts through: (i) introduction of incentives (administrative/procedures, favourable renting tariffs) for renting of public land (from MoARD and local government) for cultivation of chestnuts and walnuts; (ii) investments (support scheme by ARDA) in plantation of intensive chestnuts and walnuts orchards with selected/high quality cultivars (iii) investments (support scheme by ARDA) in upgrading of nurseries to in order to produce high quality planting material for varieties demanded on the export market is an absolute must for Albanian produce entering the export market; (iv) credit support schemes (i.e. guarantee schemes and preferential banking interest rates) for investments in plantation of chestnuts and walnuts, which would enter into production about 4 years after plantation.	• MBZHR/AZHBR	Short term
✓ Citrus sector. Increase grant schemes (by ARDA) and credit support schemes (i.e. guarantee schemes and preferential banking interest rates) for investments in the plantation of new orchards, especially with citrus to meet the demand of the national consumption and the need of the processing industry.	• MBZHR/AZHBR	Short term
2. MARKET INFORMATION		

REC 3. Create a Market Intelligence Unit (possible within AIDA, ARDA or other institutions, such as Agro University) to secure the updated information on current domestic and external market needs in terms of products in fresh use or in the processing industry.	● AZHBR/AIDA	Long term
REC 4. In collaboration with Local Self Government Units, Business Associations, Export Association, Agricultural University, etc., organize meetings/practical training informing farmers on the prospective situation on: (1) agricultural and processing trends of investment potentials in light of market demand for export;(2) what products are desired by the international market, for fresh use or in the processing industry aiming to timely update to the current production of the same kind on a large scale.	● MBZHR / Association for Local Autonomy /Agricultural University	Middle term
3. QUALITY AND COMPETITIVENESS		
REC 5. Support the creation of an enabling environment for the development of Albanian exports to EU and other higher-value markets with the following cross-cutting measures: ✓ Enable the acceptance of the mutual phytosanitary certificate for exports of agriculture products to/from all Western Balkan countries, as it was recently achieved with North Macedonia. Implementation into the practice of regional cooperation new synergies for new unexplored potentials for the region with free circulation of goods, employers and capitals, and removal of most of the non-tariff barriers. To this end, it is required practical implementation and enforcement of engagement and procedures agreed by the CEFTAs countries via decision in February 2020. ✓ Speed up the modernization and accreditation of existing and new testing laboratories (ISUV analyses are not suitable for export to many countries - especially in the EU), enabling these to issue export certification recognizable in the EU markets is also a matter of importance. This is especially important for the vegetable, fruits, and MAPS value chains since they constitute major exports. ✓ Sustain integrated promotions policies that enable a consolidated and transparent calendar of international fairs which could potentially ensure dignified participation and access to new contracts and markets. ✓ Invest in promotion of Albanian products in the international markets, through organization of systemic and dignified participation in international fairs, high-quality promotion campaigns as well as increased involvement of our Embassies in the “economic diplomacy” by promoting the “Made in Albania” and facilitation of linkages between Albanian and foreign companies.	● MBZHR ● MBZHR ● MBZHR/MEPJ ● MBZHR/MEPJ	Middle term Long term Short term Middle term
REC 6. Enhance product quality and standards in compliance with the best practices ✓ As for the organic certification, support investments leading to product quality and standardization through support schemes for Global G.A.P., Organic, Bio certifications for vegetables, fruits and MAPs, Fair Wild for MAPs;	● MBZHR/AZHBR	Middle term

✓ Enforcement of the control over the quality and use of agricultural inputs (pesticides, herbicides, and fertilizers) as they directly affect the quality/standards of the final product.	• MBZHR/AKU	Middle term
REC 7. Explore possibilities to incentivize investors in factories for the production of glass packaging within the country.	• MFE/MBZHR	Long term
REC 8. Consider the prioritizing of the most important subsectors in the processing industry focusing on minimizing the trade deficit, with the aim of penetrating the international market. Diversification of supporting grant schemes and the banking products as well, in terms of Agriculture subsectors.		
✓ Fruit processing. The juice processing industry requires investments in modern lines (juice pasteurization and Tetra pack packaging) for fruit processing. This industry must enable the production of fruit concentrates for export. This industry will also include the processing of forest fruits (blueberries, aronia berry, raspberries, etc.) where the demand is increasing.	• MBZHR/AZHBR	Long term
✓ Tomato processing. It requires increased investment in up-to-date processing technologies necessary for the production of various forms of tomato sauces as required in the world market. Meanwhile, the development of this sub-sector will meet the demand of the domestic market by significantly reducing the large volumes of imports.	• MBZHR/AZHBR	Long term
✓ Chestnut processing. Chestnut processing processes are seen as a necessity for increasing the value of this product. Investments in the process of complete processing of chestnuts, i.e. complete drying and stripping, as well as the processing of flour for the confectionery industry, are the immediate needs in this sector.	• MBZHR/AZHBR	Middle term
✓ MAPs processing. Despite achievements, there is still an opportunity to increase the volume of processed products, i.e. processing of some medicinal plants required by the pharmaceutical industry, i.e. the production of essences. This requires investments in the modern distilleries for the production of essences. The production of essences will be a good opportunity for the development of the Albanian pharmaceutical industry.	• MBZHR/AZHBR	Middle term
4. BUSINESS MANAGEMENT, OPERATIONS, AND EDUCATION		
REC 9. Development of investment profiles (in annex) and technological cards in Agro-processing in order to facilitate investment decisions and operations. In the annex, are provided the examples of technological cards corresponding to the four identified products which could be used as a benchmark for potential investment in the sector.	• MBZHR/AIDA/Centers of Agricultural Technology Transfers (QTTB)	Short term
REC 10 Invest in the reduction of skills mismatch – through agriculture vocational education, professional training, and lifelong learning programs for agribusiness' skilled employees and professional personnel. This	• MBZHR/QTTB//Agricultural University Tiranë/	Middle term

could be part of an integrated approach tailored to the sector supported by the Government towards the domestic production, which could then generate more focus from universities in preparing improvement of the standard curricula on agro-processing and introduction of the dual system as a mean to prepare ongoing specialists for the whole sector.	University “Fan S. Noli” Korçë/	
5. INSTITUTIONAL AND LEGAL MATTERS		
REC 11. Although the improvements in the legislation have been essential, further improvements are required for the completion of the legal framework for organic products and protected designations of origin, geographical indications and traditional specialties guaranteed, as well as on vineyards and wine, and ensure the institutional and administrative capacity for its implementation. More concretely the following milestones are expected to be achieved in the upcoming months that shall provide for more support to domestic products:		
✓ Amendment and alignment of the law no. 106/2016 “On organic production, labelling of biological products and their control” with the provisions of EU Regulation 2018/848 “On organic production” which enters into force is expected by January 1st, 2021.	• MBZHR/AKU	Middle term
REC 12. Approval of the draft-law “ <i>On vineyards and wine</i> ” which has been subjected to notification and public consultation as of June 2020.	• MBZHR	Short term
REC 13. Increasing the capacities of NFA in the verification of compliance and control of products labelled with Designation of Origin, Geographical Indications, and Traditional Specialty Guaranteed.	• AKU/MBZHR	
REC 14. Harmonisation of data on agro-processing between all reporting institutions, MoARD, INSTAT, GDC, NBC, BoA, Secondary-level Banks, etc. for better sector analyses and policy orientation.	• MBZHR, INSTAT, DPD, QKB, BSH	Long term
6. AKSESI NË FINANCIM		
REC 15. Credit guarantee schemes usage has increased during the years, but it is still low due to the fact that they are not attractive in terms of costs even though they offer the risk-sharing facility with the banks and lower the collateral coverage to a certain level. In addition to the recommendations specific to the four sub-sectors (given above in 1.1.), a simplification of procedures and reduction of these schemes’ administrative costs, can increase their attractiveness and facilitate access to finance for a higher number of businesses.	• MFE/MBZHR	Short term
REC 16. Creation of Insurance coverage schemes for agriculture business products by introducing the state as an intermediary. From the region, for example , North Macedonia’s government today pays 60% of the insurance premium and 40% is paid by the farmer. In order to set up the Insurance Sector, the Ministry of Agriculture would	• MFE/MBZHR/AZHBR	Long term

consider to set up a database with data, risks for each agricultural sub-sector, table with data on time, rains, temperature fluctuations, etc ex through cooperation with signal prognosis station, and investments that manage risk in agriculture.		
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Other Suggestions	Subject
1. The financing conditions of the sector are not perfect but are sufficient at the moment (Banks, ARDA, AIDA, etc.). There is a lack of information for the farmers about the opportunities that exist in the market today. Municipalities could play a major role in this regard, perhaps receiving funding from ARDA only for the information process and being controlled by a central structure eg AIDA regarding the effectiveness of these funds	German Association of Industry and Trade in Albania
2. The problem of costs and production volume by the farmer as a result of economies of scale (fragmented land)- of course, subsidies for machinery, seeds and pesticides, as well as recently Fuel, will have a positive impact, but will not bring the final solution, to increase agricultural exports to a satisfactory level. Information on the market, finding the customer is the most important factor, certainly meeting the standard required by the buyer - a possible solution would be to set up an agricultural stock exchange, this would bring a great deal of transparency and would involve a large number of farmers. Of course, competitiveness would also increase.	German Association of Industry and Trade in Albania

Abbreviation :

MFE- Ministry of Finance and Economy

MBZHR- Ministry of Agriculture and Rural Development

MEPJ – Ministry for Europe and Foreign Affairs

AIDA – Agjencia Shqiptare e Zhvillimi të Investimeve

AZHBR – Agency of rural agricultural development

INSTAT – Albanian Institute of Statistics

BSH –Bank of Albania

QKB – National Centre of Business registration

DPD – General Directory of Customs

DIHA- German Association of Industry and Trade in Albania

AKU – Agency for the alimentary control

Term :

Short term- period from 1 to 6 months.

Middle term – period from 6 month to 1 year.

Long term – period over 1 year.