Albania Investment Council
Improving Transparency and Investment Climate

TECHNICAL NOTE

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

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ABBREVIATIONS

AASF	Albania Agribusiness Support Facility
AIC	Albania Investment Council
AIDA	Albanian Investment Development Agency
ALL	Albanian Lek
ARDA	Albanian Rural Development Agency
ASB	Advice for Small Businesses
BoA	Bank of Albania
CAP	Common Agricultural Policy
CoM	Council of Ministers
EBRD	European Bank for Reconstruction and Development
GDC	General Department of Customs
GDP	Gross Domestic Production
GoA	Government of Albania
ICS	Investment Council's Secretariat
IFSV	Institute of Food Safety and Veterinary
INSTAT	Albanian Institute of Statistics
IPARD	Instrument for Pre-accession Assistance for Rural Development
ISARD	Inter-sectorial Strategy for Agriculture and Rural Development
MoARD	Ministry of Agriculture and Rural Development
MoFE	Ministry of Finance and Economy
NBC	National Business Centre
NBFI	Non-Bank Financial Institution
RCGF	Rural Credit Guarantee Foundation
SCOP	State Commission for Organic Production
SME	Small and Medium Enterprise
TEDA	Free Economic Zones
WB	World Bank

I. INTRODUCTION

The exports of the agriculture sector in 2019 represented 11.8 % of the country's total exports, showing a significant increase as compared to only 8.7% in 2015 and just less than 3% in 2005. The overall production value of the agro-processing sub-sector has increased in the recent five years by about 8.4% cumulative (2019/2015) reaching up to 70,031 million ALL in 2019. Albanian fruits, vegetables and MAPs have been gaining ground in the Western Balkans and are considered as well positioned to make headway in high value international markets. The sector had also a positive contribution in country's export during the January – June 2020, in spite of the negative impact in the Albanian economy of the 26th November 2019's earthquake and COVID-19 (since March 2020).

The vision of the Albanian Agriculture policy is detailed through ISARD 2014-2020 which is designed in line with the European Union strategic planning approach for the Common Agricultural Policy (CAP) 2014–2020. ISARD 2014-2020 prioritizes policies that promote the development and growth of agricultural production and targets the improvement of sector's competitiveness, harmonization of policies and institutional settings with the EU acquis, the sustainable use of natural resources and social inclusion of the rural population.

Referring to the sector competitiveness, a recent World Bank study[1] on the agro-processing sector has noted that "*Albanian producers face many constraints in meeting the rigid and complex demands of the EU market and integration into global value chains, which are mostly related to: (if) excessive land fragmentation and producers' inability to achieve necessary economies of scale; (ii) an unskilled workforce and low-technology production process that leads to gross inefficiencies throughout the production process and practices (iii) lack of export infrastructure, including certification services and knowledge of destination markets; and (iv) lack of access to credit*". European Commission in European Economic Forecast May 2020 mentioned – "*Although the country will experience a contraction of the economy as a result of COVID-19, the large support of the Albanian economy in agriculture can somewhat curb the decline of the economy as this sector will be less affected by the COVID-19 crisis*".

As of October 5th 2019, agro-processing has been considered as a key priority sector for the economy by Albanian Investment Council. To further review the potentials and challenges of the sector, a working group was set up, led by MoFE and MoARD, aiming to stimulate the policy debate by evidencing key bottlenecks and to prioritise investment (specific) potentials in the sector from a business perspective. In this context, the Secretariat, relying upon partner's support and institutions' commitment, has facilitated the technical work, especially accelerated since March 2020 due to COV19 response. Previous activities of the AIC related to the sector include Informality in the Agriculture, VAT Reimbursement, Access to Finance, Business Survey on COVID-19, etc.

The study aims to review the potentials for investment in the selected sub-sectors(nuts, tomatoes, juice fruits, and MAPs)as suggested by the relevant institutions, including main business challenges and support needs related to market and education, standards and certification, and access to finance. The study is designed to serve as a tool to help executives in their decision-making rather than a thorough sectorial or value chain research study per se. The proposed actions relate to analyses of specific products[2], which could be further benchmarked as cases for optimising the investment potentials. A special focus is also provided to the Albanian products.

[1] *World Bank (2018). Competitive Fruit and Vegetable Products in Albania. Finance, Competitiveness and Inno vation in Focus. World Bank Group, Washington DC*

[2] *In annex there are examples of the technological cards relevant to four strategic products which could be considered as reference for potential investment in the sector*

II. METHODOLOGY

The methodology of the study includes the use of qualititative and quantitative data gathered from secondary and primary sources, and builds on a series of steps taken by the Secretariat to stimulate the debate on domestic production, food-processing and potential investment in agro-processing, as follows[3]:

- ✓ Desk research[4] of national and international analyses and reports, documents, laws and bylaws related to agro-processing.
- ✓ Analysis of official information from secondary sources (MoARD, INSTAT, FAOSTAT, UNCOMTRADE, GDC, etc.) and key information / data related to direct interviews with value chain actors and sector experts.
- ✓ Following the Joint Working Order between MoFE and MoARD[5], aimed at assessing the potential for investment in the agro-processing sector, three technical meetings were organized, via Zoom platform during the period June-September 2020. The purpose of these meetings was to propose a coordinated work plan with all parties involved with the ultimate goal of creating favourable conditions for investment in the agro-processing sector.
- ✓ A set of questions on "Domestic Production and Investment" was addressed to all AIC members and partners to received their perspective on issues related to (1) the main challenges faced by companies in agro-processing (2) access to financing the sector as well as (3) potentials for possible investments in the sector (focus nuts, tomatoes, medicinal plants, fruit juices and teas).
- ✓ Two questionnaires were developed by AICS in collaboration with external experts, to explore potentials, challenges and investment opportunities. The first questionnaire[6] was addressed to targeted companies within agriculture production/processing/ trading/exporting products. A total of 42 companies were interviewed, using the designed questionnaire, out of which 26 companies were interviewed face to face, while 16 companies filled themselves the online questionnaire. The companies were selected based on their main activity, mainly companies working in agro-processing with focus on one of the four potential products carefully chosen in the Technical Working Group on agro-processing. Another questionnaire[7] was sent online to 6 distribution points/supermarkets to get their opinion on potentials of trading processing agriculture products within the country.
- ✓ A dataset was developed and sent to Bank of Albania, Agency for Rural and Agriculture Development, secondary-level banks and microfinancing companies, and three credit guarantee schemes to explore access to finance of the agro-processing sector. The Bank of Albania, ARDA and 8 second tier banks sent the data online and direct interviews were held with 3 agriculture department managers from these banks.

Meetings with ZOOM platform were held with different actors such as SIPPO and written feedback was received from AIDA, NRC, GDC, Albanian Diaspora Business Chamber, Italian Embassy, Association of Albanian Municipalities, Albanian Association of Marketing, etc.

[3] *This study does not take into account donors approach to this topic in the country, as no detailed analyses of their intervention in the sector is performed.*

[4] *For more details read the Bibliography*

[5] *For more details refer to https://www.investment.com.al/working-group-on-agro-processing/*

[6] *Annex 1*

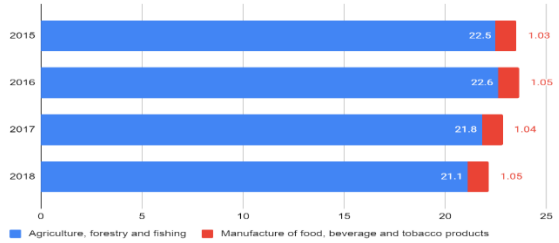
[7] *Annex 2*

III. ALBANIAN AGRIBUSINESS SECTOR

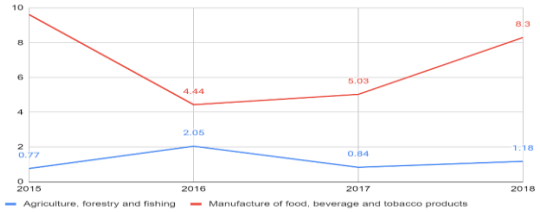
3.1. A short sector profile

The agriculture sector is of crucial importance with regard to socio-economic development in Albania. It contributes about 18.9% of country's GDP (in 2019) and accounts 36.4% of the overall employment.[8] The overall agriculture production has increased with an average of 5% during 2010-2019, while the relative share of the agriculture sector in the national GDP has dropped in recent years (from about 28% in 2010, to about 20% in 2016 and 18.9% in 2019). The contribution of agriculture to the gross value added of the economy has been stable over the years with an average of 22% for the period 2015-2018.

Contribution of agriculture and agro-processing to Gross Value Added (in%)

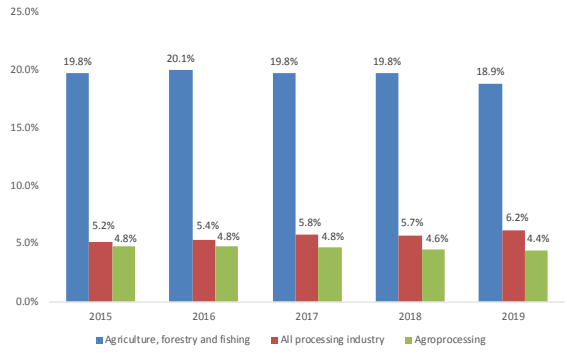


Real growth of agriculture and agro-processing (in%)

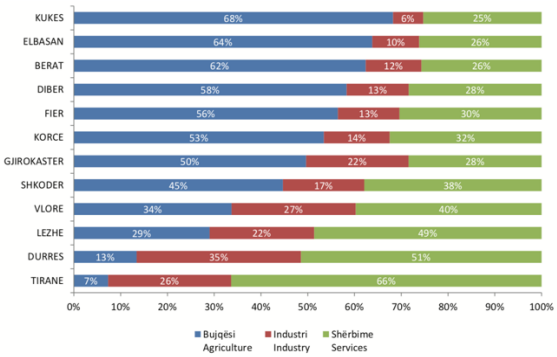


Source: INSTAT (2020)

Contribution of agribusiness in the GDP (in%)



Agriculture employment by region (in %)



Source: INSTAT (2020)

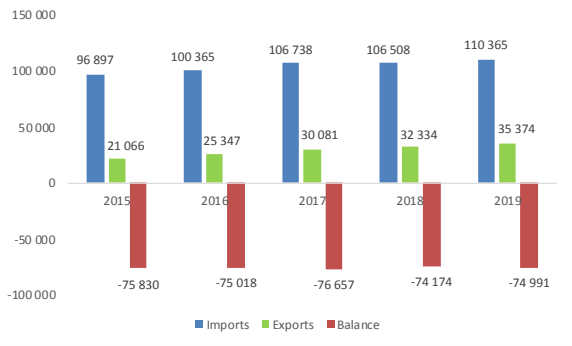
According to official data farming structures are small, very fragmented and with rather low productivity, excluding vegetables and olives. The total area of productive agriculture land in Albania under arable production is around 700,000 ha, of which about 417,000 (or about 60%) is cultivated with field crops, out of which only about 179,177 ha (43%) is actually irrigated land[9]. The number of farms in Albania is quite high (approximately 351,600 farms) compared to the size of the country. The farm structures are small and complex with an average farm size is 1.2 ha, fragmented into 3-5 plots of different size and land quality. The simple comparison of sector's contribution to the GDP (18.9%) and the high employment (36.4%) shows that the average earnings in agriculture are very much lower than in the rest of

[8] *INSTAT (2019). Labour Market 2019.*
[9] *INSTAT (2019). Agriculture Statistical Yearbook 2019.*

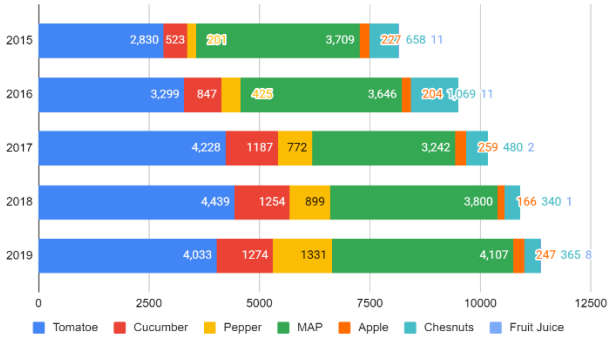
the economy. Although a large number of farms (especially in remote rural areas) are subsistence based, producing mostly for own consumption and heavily based on unpaid family labourers or informal workers, they have an important function in the local economy. According to GIZ[10], the productivity of some products (vegetables, olives) is at the same level or even higher compared to neighbouring countries. However, due to various factors (i.e. small farm size, high fragmentation, low level of mechanization and production technologies, etc.) the overall productivity per hectare remains lower for those crops which are grown in large-scale areas in other countries.

Agribusiness exports have significantly increased in the recent years, mainly by fresh vegetables and MAPs. The exports of the agriculture sector in 2019 represented 11.8% of the country's total exports, showing a significant increase as compared to only 8.7% in 2015 and just less than 3% in 2005. The exports of vegetables have increased substantially during recent years, especially from greenhouse vegetables products, which constitute about one-fifth of total agro-food exports, with exports of tomatoes, cucumbers, pepper and melons representing altogether about 19% of the total agriculture sector exports. Also, Albania has a strong tradition in the production and export of MAPs. More than 95% of the total MAPs that are collected and cultivated in the country are exported (contributing with about 11.8% of the total agriculture exports), making Albania an important international player in the sector.

Total volume of agriculture imports and exports (2015-2019, in million ALL)



Share of the main products in the total agriculture exports (2015-2019, in million ALL)

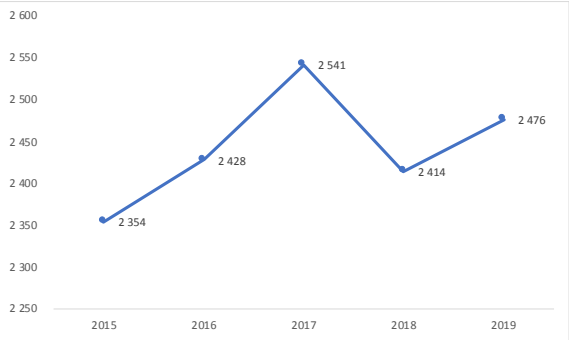


Source: INSTAT and General Customs Directorate (2020)

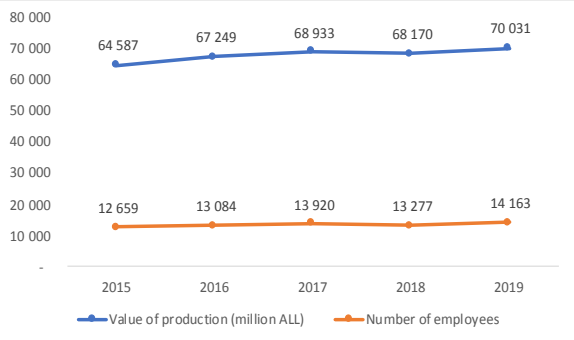
Agro-processing industry[11] is the sub-sector of manufacturing that processes raw materials and intermediate products derived from the agricultural sector. Agro-processing industry thus means transforming products originating from agriculture, forestry and fisheries. The most advanced agro-processing is done by about 2,476 companies[12], of which: about 65.4% deal mostly with production flour, bakery, pasta, cookies and sweets; about 12.8% with dairy products; about 5.4% with meat and fish products; about 4.2% with production of wine and alcoholic drinks; only about 1.2% of companies deal with processing of fruit, vegetables and MAPs; and the rest dealing mineral water, soft drinks and other uncategorised products. **The overall production value of the agro-processing sub-sector has increased in the recent five years by about 8.4% cumulative (2019/2015) reaching up to 70,031 million ALL in 2019.**

[7] *GIZ (2019). Programme for "Sustainable Development in Rural Areas in Albania"*
[11] *Agriculture processing economic activity based on Nomenclature of Economic Activities, NACE Rev. 2, INSTAT (2020) "Processing involves the physical and chemical transformations of materials, substances or components into one new product. Food processing includes processing of agricultural, forestry and fishery products into food and beverages for humans or animals, and also involves the production of various intermediate products that are not directly foodstuffs. The activity often produces bundled products at greater or lesser value"*
[12] *MoARD (2020). Data provided for this study*

Number of agro-processing companies by years (2015-2019)



Value of the agro-processing production and number employees by years (2015-2019,)



Source. MoARD (2020)

Organic production[13]. The organic production has started to gain some interest among some producers, stimulated by both export potential and an increasing local consumer demand. During 2018, support to organic farming has included certified farms and farms transitioning to organic production. The number of beneficiaries and the amount of support under this scheme has increased.[14] According to MoARD, there are 81 farms in Albania that received organic certification in the recent years. The total land area certified as organic has reached about 648,292 has of forest land (of which 346,518 ha dedicated to collection of wild MAPs and about 3,250 ha of chestnuts forests) and about 528.5 ha of agriculture cultivated land and another 94.3 ha is currently in process of being certified. The large majority of this certified land area (about 82%) is dedicated to cultivation of MAPs and about 9% to permanents crops (mostly olive groves).

3.2. Main findings

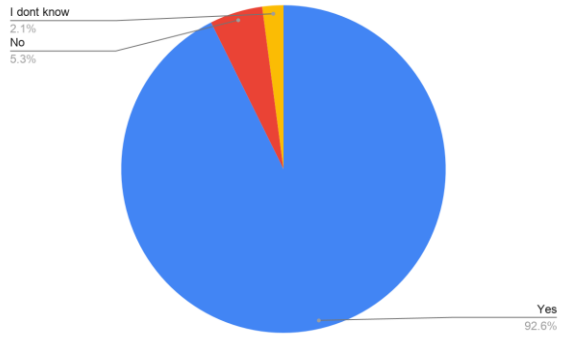
In line with the objectives of this study, in an attempt to identify the main problems related to the optimisation of the investment potentials in the agro-procesing sector (focus tomatoe, nuts, MAPs and fruits juices) and identify necessary recommendations, the AIC Secretariat (based on the review of the various previous report/studies, and the analysis of data collected from government institutions, questionnaires and interviews with key local players) has identified the following main findings.

3.2.1 Potential of Agro-business

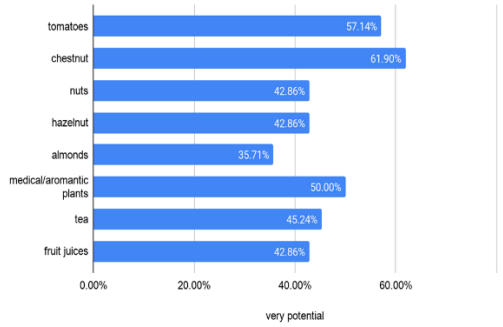
The vegetables, fruits and MAPs value chains could be considered as the most important sub-sectors of Albania's agriculture. The three value chains have grown considerably in the last years, both in terms of areas covered with these crops as well total production. The high export demand, favourable climatic conditions for production of primary products, accompanied by different support schemes from the Albanian government, IPARD and other donor agencies, have played an important role in stimulating the expansion of these sub-sectors.

[13] *Organic production is a system that integrates "cultural, biological, and mechanical practices that foster cycling of resources, promote ecological balance, and conserve biodiversity." (Source: National Organic Program)*
[14] *EU Albania Progress Report 2019/2020.*

Percentage of interviewed companies considering agro-processing as a potential for investment



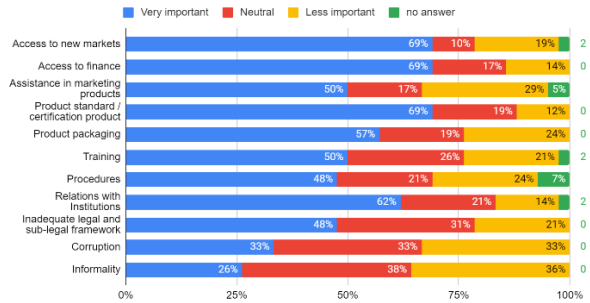
Percentage of interviewed companies considering that the following products have export potential



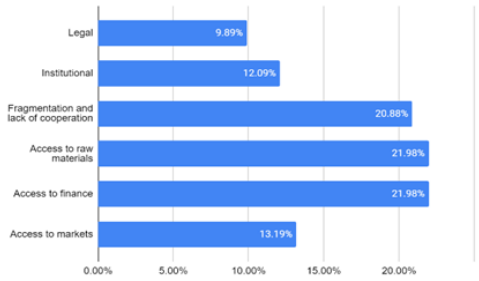
Source: AIC Secretariat's questionnaire

Agro-processing industry is considered as having potentials for investment and increased contribution to the local economy. A large majority of interviewed companies (37 out of 42 companies) consider that agro-processing has potential and good investment opportunities in Albania. Among the selected products, chestnuts, tomatoes and medicinal/aromatic plants **are considered by the interviewed companies as the three top products having the most potential for agro-processing.** Other products considered as potentials include: olive oil, honey, blueberry, strawberry and pomegranate. **While main key obstacles to new investments are considered access to finance, access to raw materials and fragmentation and lack of cooperation**.

List most important needs to expand their agribusiness activities as declared by the interviewed companies



What do you think are the main obstacles for new investments in your field of activity?

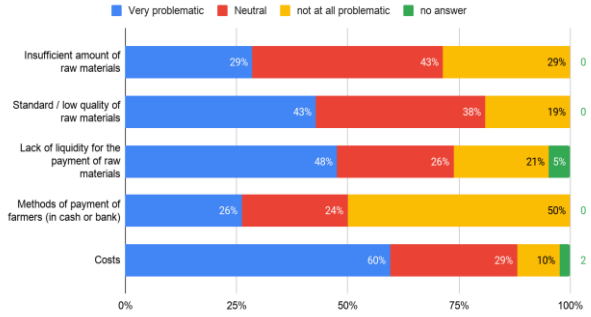


Source: AIC Secretariat's questionnaire

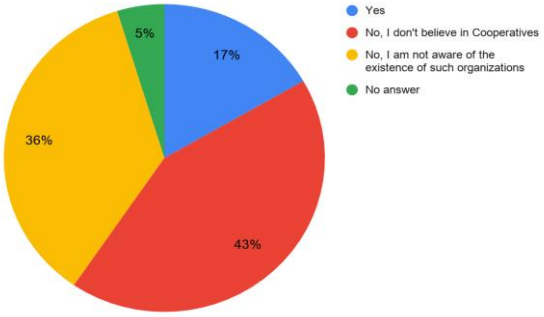
3.2.2 Challenges in the supply of raw materials

Most of the representatives of exporting companies and supermarkets interviewed declared their willngness to increase domestic procurements if local suppliers could ensure higher quantities at required standards and competitive prices. The supply of domestic raw materials is still considered as very fragmented, of high costs, non-uniform product quality and often in insufficient quantities. From the analysis, it results that the main challenges for the companies in ensuring the required supply of raw materials from primary production are mostly related to: (i) high costs of local raw materials (60%); (ii) lack of liquidity to buy the raw the necessary materials (48%); and (iii) insufficient standards, qualities and quantities of available raw materials.

The main problems encountered in relation to "Supply of raw materials in the country"



Membership of interviewed companies in cooperatives or similar organizations



Source: AIC Secretariat's questionnaire

3.2.3 Limited cooperation and value chain integration

Agribusiness still suffers from limited cooperation and weak linkages between primary production and processing. While agrobusiness sector is very important for the economy, various studies confirm that the value chains are not well organized, there are weak linkages between producers of the primary products and the processing companies. According to EBRD[15], there are very few formal alliances in the form of producer groups or cooperatives and often, the producers face difficulties and an insecure market access, due to unstable and non-cooperate relationships between farmers, local consolidators and processers or wholesalers. This was also confirmed by the interviewed companies, where most of them do not believe in cooperatives and are not aware of the existence of such organisations (only 7 out of 42 companies declared to believe in organisations). Inefficient cooperation models among farmers would result in inadequate assets, scale, returns and not competitive businesses.

3.2.4 Agro-processing's main challenges

A large majority of Albanian agro-processing companies are micro and small businesses, are engaged in a complex set of activities and have modest technologies. The sector is represented with a total of 2,476 companies[16], located in different regions of Albania, mostly in proximity to their respective supply sources. A large majority of companies are involved in several steps throughout the value chain, from production, collection/aggregation to processing and marketing, including in local and export markets. With the exception of some large companies active in the MAPs, meat and milk sub-sector, the large majority of agro-processing companies are micro and small businesses, with rather modest technologies, relatively low processing capacities and producting mostly for the local market. About 33% of interviewed companies declared to be facing technology related problems and about 31% are faced with unfair competition from imports.

Agribusiness sector in general, is one of the sectors that suffer the most from informality, creating important challenge for companies to increase procurement of local products. Almost two-third of interviewed companies (59%) declared that the high level of informality in the domestic market is an important challenge for them to further increase procurement of local products. It also creates additional challenges, such as limited availability of collateral, low levels of financial capability, and limited uptake of modern transactions.[17]

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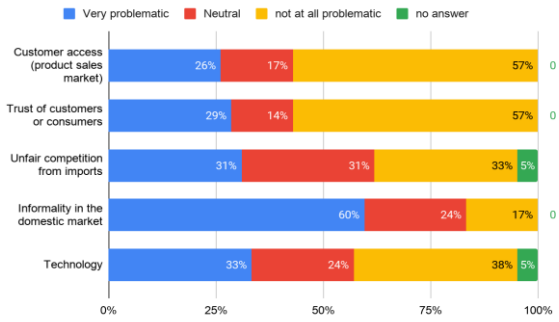
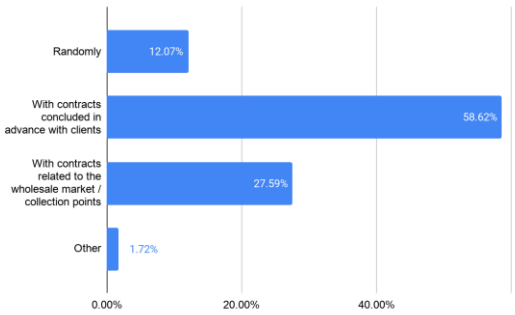
[15] *EBRD. New Agribusiness Strategy.*
[16] *MoARD (2020).*
[17] *World Bank (2020). Albania Credit Guarantee Scheme Assessment. The World Bank Group. Finance, Competitiveness and Innovation Global Practice.*

The main problems encountered in relation to "Product Processing & Marketing"



How do you secure the market for product sales (distribution network)?



Source: AIC Secretariat questionnaire

With the exception of MAPs, most of the Albanian products are exported to the Western Balkan countries and new EU countries with lower purchasing power, thus benefiting from rather low prices. While almost 70% of the interviewed companies declared that access to new/better markets is one of their most important needs, about 26% of the interviewed companies are facing significant difficulties in accessing markets and about 29% in building trust with the buyers/consumers and ensuring reliability of foreign buyers to the Albanian product. Companies complain also about the limited guidance form public institutions on new markets and limited support for promotion of Albanian products such as dignified representation and participation in international fairs.

Product quality/standards is an important factor that could increase the competitiveness of Albanian agribusiness in local, regional and international markets. While pre-harvest handling and storage management techniques are important for maintaining and increasing the product quality and easing pressure on forced sales with low prices, post-harvest techniques as well as information on the requirements of these markets in terms of demanded product volumes and qualities remains a challenge for all actors of main value chains. Many of the value chain actors lack knowledge on the requirements related to national and international quality standards as well as on good agricultural practices and other agro-environmental considerations.[18]

The competitiveness of agro-processing is also damaged as a result of high packaging costs (i.e. glass packaging, which is an imported taxed product) making packed processed products less competitive both in the domestic and international markets.

3.2.5 Agribusiness's challenges in accessing financing

From 42 interviewed companies, 66% of them list as the third most important factor influencing their business management – the "Access to Finance"

Referring to the EBRD New Agribusiness Strategy: **"*There is limited availability of appropriate, affordable and timely credit products to finance improvements along value chains, especially for SMEs and small-scale actors along the agriculture value chains*"**.[19] Also, according to international reports, the overall access to finance score in Albania has only marginally improved in the recent years – from 3.26 to 3.32 (2019/2016).[20] Albania is ranked 102/141 in terms of the Financial System (MKD 83s; SRB 82s BiH 80s MNE 44s.)[21] In 2019, only 1.6 % of the total business loans portfolio went to the

[18] *GIZ (2019). Programme for "Sustainable Development in Rural Areas in Albania"*
[19] *EBRD Agribusiness Sector Strategy 2019- 2023*
[20] *OECD (2019). Access to finance for SMEs (Dimension 6) in the Western Balkans and Turkey.*
[21] *WEF (2019). Competitiveness Indicators Report*

companies in the agriculture sector (including agriculture, forestry and fishing) and 15.2% are granted to companies in the overall processing industry in the country.

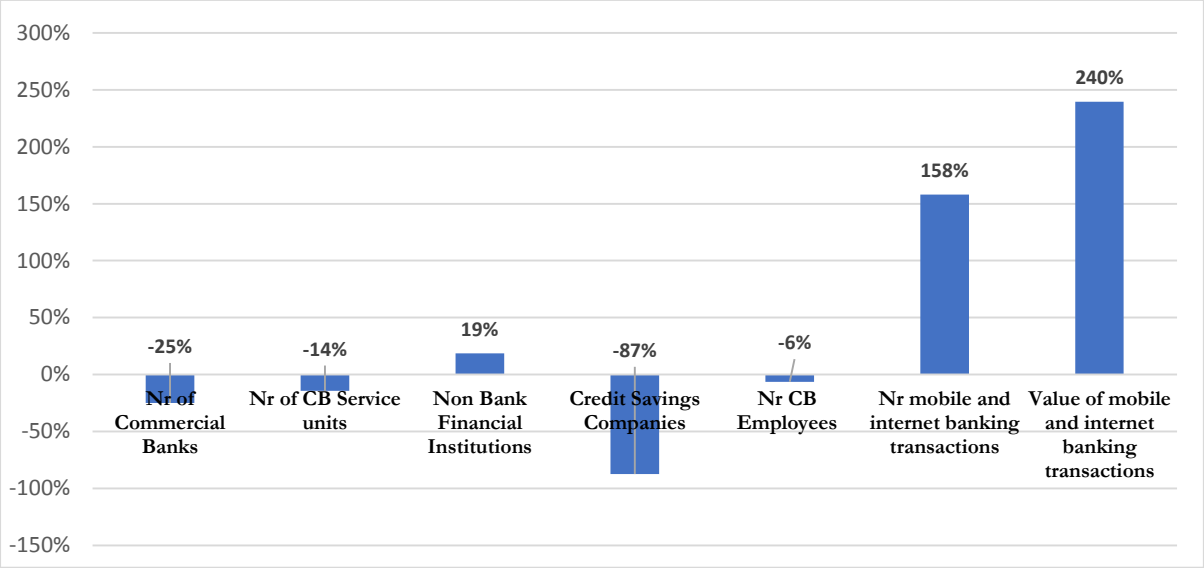
There is a decreasing trend of lending from private banking sector for the periods 2017-2020: about 5 % decrease in lending to the companies operating in the agriculture sector; and 22 % decrease in lending for the companies in the processing industry[22]. In 2019, the total loans portfolio from Non-Bank Financial Institutions (NBFIs) was 35.46 billion ALL. About 5 % of that portfolio was issued to agriculture sector companies from savings and credit companies and about 7% from NBFIs[23]. Also the rejection rates are especially high in the agricultural sector and among microenterprises.[24] According to the data from the financial statements reported in QKB (2019) from 84 companies: from the total 2019 business loans portfolio in the banking sector, only 0.3% of that portfolio is granted to 61 companies in agricultural production sector and only 0.7% of that portfolio is granted to 23 companies operating in the agro-processing sector.[25]

Agricultural insurance schemes are yet underdeveloped as a financial tool to minimize the adverse effects of agricultural risks, addresses the agricultural production or yield risks mainly due to adverse climate.[26] Farmers are exposed year-round to a variety of risks, both market-related and non-market-related, such as unfavourable weather, pests, and diseases. Such risks make agricultural production unstable from year to year, affecting the income and welfare of agricultural producers, therefore making the sector risky to be financed by banks. While, on one hand, further development of agriculture insurance schemes is expected to positively impact the access to financing by decreasing banks' perceived risks on agriculture activities, on the other hand, agricultural companies see this tool as adding up to their expenses, unless government intervenes by covering partially the insurance premium.

In terms of proximity of banking sector to companies, there is a decreasing trend for geographical presence from the commercial banks in terms of number of Banks, service units and bank employees serving to businesses. There is an increasing trend of 19% from NBFIs to expand geographically, but these institutions mainly lend to small farmers and producers. On the other hand, **the number and volume of mobile and internet banking transactions has increased by more than 100% giving more opportunities to the business operating far from the banks.** There is also an innovative movable branch from Credins Bank, which since 1.5 years untill the earthquake of November '19 traveled near the agribusiness clients.

[22] *Bank of Albania Supervisory Report 2019 (and) INSTAT (2014). Nomenclature of Economic Activities*
[23] *Bank of Albania Supervisory Report 2019 (and) INSTAT (2014). Nomenclature of Economic Activities*
[24] *Dushku, E.; Ceca, K. (2017). Agricultural Enterprises in Albania and their Financing, Bank of Albania*
[25] *Bank of Albania (2019) Supervisory Report (and) Department of Financial Statistics in October (2020)*

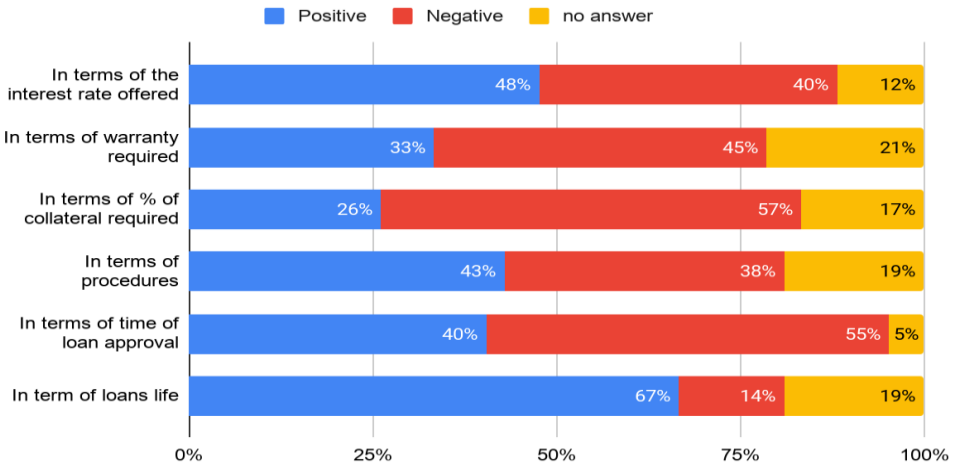
Physical Access to Finance (2015-2019)



Source: AIC Secretariat based on the information gathered by Bank of Albania, Supervisory Report 2019 and Department of Financial Statistics in October 2020

From the companies' perspective, while the appropriateness of loan maturity has improved in the recent years, companies continue to be significantly unsatisfied with the warranties/collateral required as well as the timing of loan processing and approval. About 44% of interviewed companies had received bank financing for investment, 38% received overdrafts and 18% received credit for liquidity (working capital). Among those that had received a bank loan, about 67% of them were positive about loan terms, while about 48% were positive about the interest rates and only about 43% were positive about procedures. ***The balance changes as regards to the collateral required with 57% giving a negative rating and the loan approval time with 55% giving a negative rating.***

If you have received a loan, how do you assess the support provided by banks in this regard?



Source: AIC Secretariat questionnaire

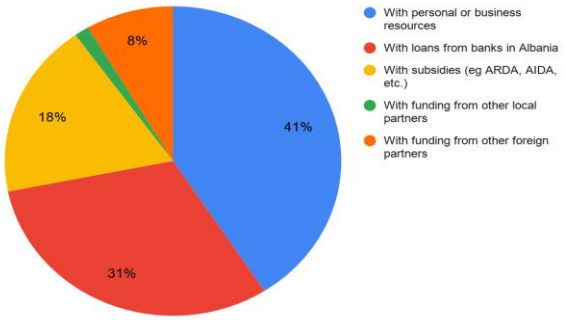
Comment from private banks:

A problem that can simplify the crediting is related to the Grant contracts between ARDA and Agriculture businesses benefiting from their schemes. The article 4 point 14 of this contract states: "The Beneficiary is obliged not to alienate, rent or lease the Investment object of this contract for as long as it is valid (5 years). According to this Article, the client cannot place the new investment (which is valid for all parties) as a guarantee in favour of a bank.

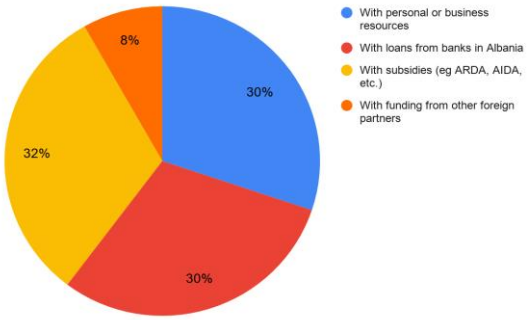
If this article could be restated by adding: "Allowing the placement as a guarantee only for Banks or Financial Institutions or written permission for placement as collateral", it would facilitate our lending process to these businesses.

Companies trust in the potential of agro-processing sector and they are willing to invest not only with their personal resources but also with banking loans and other support funds. The majority of interviewed companies (36 out of 42 companies) have made significant investments (58% have made investments up to Euro 100,000) in the last 24 months. *As regards the main sources of funding, about 41% of these investments were made with personal/internal resources, followed by bank loans (about 31%); development grants (about 8%) and few of them (about 8%) with funding from their international partners.*

Main source of Investment Financing during past 24 months



Main sources of Planned Investment Financing in the next 24 months

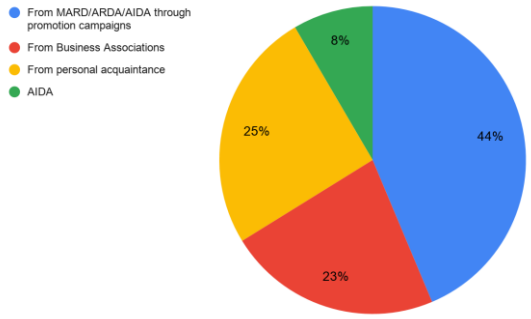


Source: AIC Secretariat questionnaire

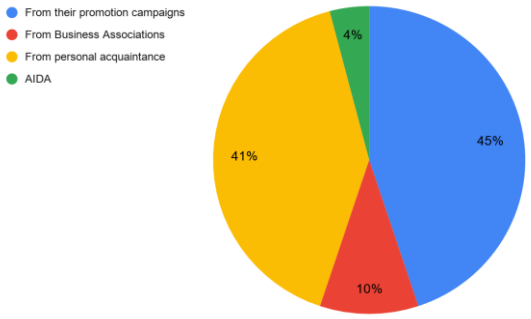
A total of 33 out of 42 companies declared to have plans to make significant investments in the next 24 months (46% up to Euro 100,000*), mainly with subsidies (32%), personal resources (30%) and bank loans (30%). About 30% of them plan to use their personal/internal resources, about 30% bank loans and 32% plan to apply for government grant schemes.*

The main sources of agro-procesors' information about the various support schemes available seem to be (i) the promotion campaigns organized by the respective institutions, and (ii) the) personal acquintances, while business associations are less active in information dissemination. Among the 40 (out of 42) of companies that claimed to be aware of the MARD/ARDA/AIDA support schemes, about 70% of them had applied for support. Among those having chosen to not apply, the main declared reasons are: (i) land property issues; complicated application procedures; (ii) lack of confidence to be selected/approved; and (iii) difficulties on completion of required documentation.

Main sources of information about MARD/ARDA/ AIDA support schemes

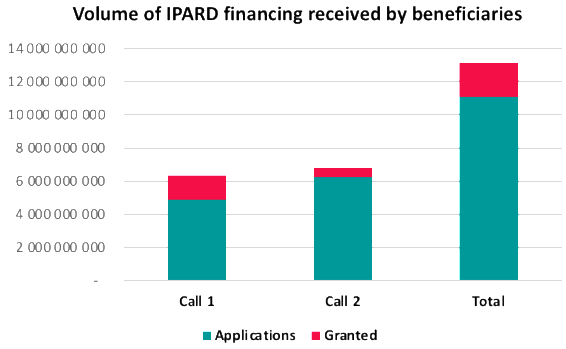


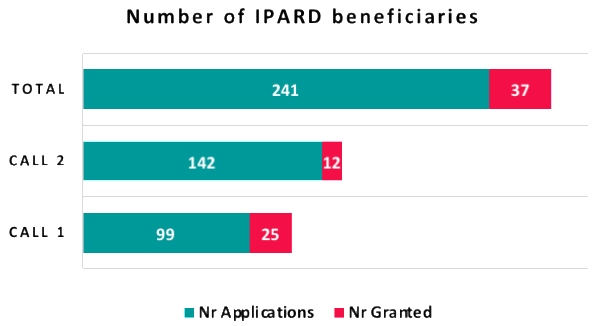
Main sources of information about AASF/ASB/ RCGF/Italian-Albanian SME Development Program



Source: AIC Secretariat questionnaire

From the analysis of the data(*up to end of december 2019*) received from ARDA about the IPARD grant schemes, it results that from both IPARD calls[27] benefited only 15% of the applicants in agro-processing sector. From the first IPARD call, was awarded only 30% of the total amount of grants requested from 99 applicants, while from the second call, was awarded only 9% of the total amount requested from 142 applicants. The second call had higher interest from applicants compared to the first one, but only 8% of the applicants benefited. *From both IPARD calls the fruits and vegetables sector benefited the most, receiving about 45% of the total amount awarded in the first call and 11% in the second one. The sector benefiting the least from both calls is MAPs receiving only about 2% of the total grant amount awarded in the first call.*

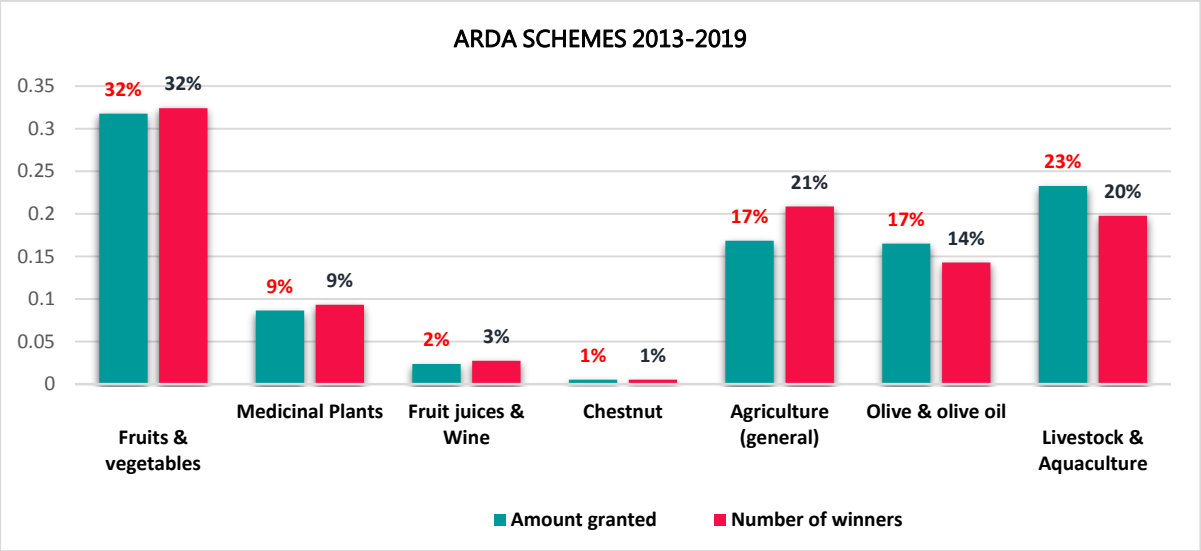




Source: AIC Secretariat based on data gathered from ARDA, Department of Risk, Fraud Prevention, Analysis and Reporting Sector, October 2020

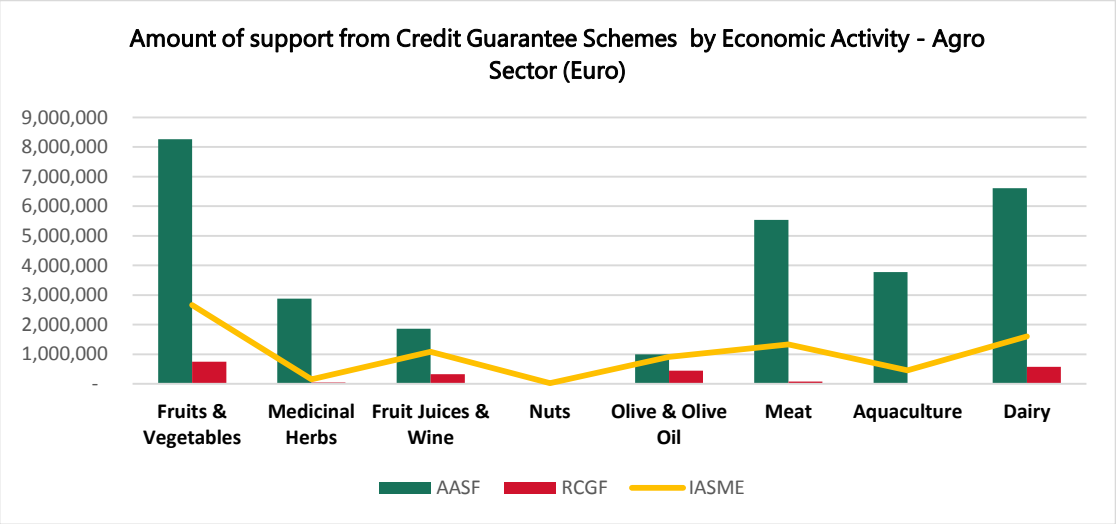
Regarding the ARDA grant schemes, the biggest number and amount (32%) is accorded to the companies operating in the fruits and vegetables sector (including cold storage centres). Livestock and aquaculture are the second group of beneficiaries receiving about 23% of the total grant amount awarded by ARDA, followed by about 9% granted to the MAPs sub-sector, about 2% to the fruits juice and wine, and only about 1% to the nuts sub-sector. The rest of grants is allocated under "Agriculture in general" including all other agriculture sub-sectors based on the investment codes used from ARDA.

[27] November 2018 – January 2020.(Call 1, *IPARD II, 30 November 2018 -30 January 2020, Call 2, 30 October 2019 -15 January 2020*



Source: AIC Secretariat based on data gathered from ARDA Department of Risk, Fraud Prevention, Analysis and Reporting Sector, October 2020

A similar trend is noticed also in the support from three of the Credit Guarantee Schemes available for Agro-business – AASF, KFW RCGF, Italian Albanian Program for the development of SMEs. A total of 179 agro-processing businesses benefited from these credit guarantee schemes and the sector benefiting the most is fruits and vegetables, followed by dairy production. The sub-sectors benefiting the least from all these schemes are nuts followed by olive and olive oil.



Source: AIC Secretariat based on data gathered from AASF, RCGF, Italian Albanian Program for the development of SME in Albania, October 2020

Property related issues and the instability of supply and quality of raw materials emerge as a the key obstacles to new investments for most of the interviewed firms. The lack of property certificates and the high uncertainty related to land ownership has prevented companies from investing and expanding. Moreover, it represented an important impediment when applying for EU grants, loans and certificates.[28] In addition to the above, according to international studies, challenges in accessing financial sources and

[28] *World Bank (2019). Working Paper*

services are augmented also by: (i) the lack of understanding of financial products and the potential benefits which various formal financial solutions might have for their businesses; (ii) the lack of information and knowledge in applying and accessing funds[29]; as well as (iii) the lack of technical capacities in preparation of business plans from producers and processors alike.[30]

3.2.6 Institutional and legal matters

What has been evidenced by the international reports on the sector?

The following are some of the common issues emerged and raised during the interviews conducted in April 2019 by the WB team with Albanian entrepreneurs, firm and business associations.

Time at the border and high fees (e.g. scaning fee) constitute a real problem. Border crossing is worsened by the lack of connection among borders and the scarce adoption of risk management approach.[31] Some incentives are in place, but they often are either too narrow or specific. In terms of export promotion and support, companies report weak presence of the government.[32] Non-tariff measures constitute the key constraint to trade.[33] Albania's quality certification processes are insufficient for export to the EU-28, as well as usually too costly for smallholders.[34] Companies report a general lack of awareness about the importance of certification among producers and farmers. There is no mutual recognition of certifications among CEFTA countries, there are no labs in Albania to obtain international certification (there are no accredited laboratories in Albania), and the costs (both in terms of fees and paperwork) to apply for certification are reported to be high.

It is worthy to mention that comparing to other pillars, the legal, administrative and institutional, including VAT issues have not been emphasized by the businesses during the our interviews as impediments for the sector. Here below are summarized the provided replies.

Main findings from the Secretariat Survey and face-to face interviews with 42 companies operating in agro-processing:

Specific concerns presented by interviewed companies:

- *Access to information for obtaining a certificate is very difficult and trainings are needed*
- *Scanning at customs has increased costs; there are no accredited laboratories - IFSV analyzes are not suitable for export to many countries (especially in the EU)*
- *National Food Authority inspections and Barcodes are not applied to exporters*
- *National Food Authority needs improvement in procedures and documentation*
- *The banking system operates at high rates for agriculture compared to the region*
- *Non-functioning of Agriculture Cooperation Associations*
- *Problems with the phytosanitary certificate for exports from Kosovo and Serbia (transit)*

[29] *World Bank (2018). Albania MSME Finance for Growth Assessment. The World Bank Group*
[30] *GIZ (2019). Programme for "Sustainable Development in Rural Areas in Albania"*
[31] *World Bank (2019). Albania Growth and Jobs: Policy Implementation Support Policy Note on Strengthening Albania's Trade Competitiveness*
[32] *Idem.*
[33] *Idem.*
[34] *World Bank (2018). Competitive Fruit and Vegetable Products in Albania. Finance, Competitiveness and Innovation in Focus. World Bank Group, Washington DC.*

Main constraints decelared by interviewed companies for making new investments

- *Institutions are not supportive and do not incentivize business investments*
- *Land, Construction permit on agricultural land, Procedures*
- *Stability of supply and quality of raw materials*
- *Access to Finance (mainly for farmers) - increase of grant support from state and donors and reduction of interest rates by the banking system*
- *Lack of orientations by state institutions on new markets and dignified participation in international fairs*

The AIC Secretariat analysed the following business issues which have been persistent in the past and have a systemic nature:

(1) Obtaining of phytosanitary certificates

According to the Albanian legislation phytosanitary inspection is applied to inbound and outbound consignments of food, plants and plant products, which should be accompanied by the phytosanitary certificate as the main legal requirement at national and international level for certification of products[35]. The phytosanitary certificate is based on the International Plant Protection Convention (IPPC) Model, and is issued by the NFA/(as of 2018 by Regional Agency for Veterinary and Plant Protection" following inspection. The inspection is conducted at the terminal or at enterprises' warehouse, and should occur no more than 14 days before the date of dispatch of the consignment for customs clearance and the certificate must be signed within the 14-day period[36]. The interviewed companies declared to have not experienced any difficulty for obtaining phytosanitary certificates at national level, usually taken within few hours from notification to the authorities. However, in some cases the national phytosanitary certificates have not been accepted by the authorities of importing country, while requesting additional certifications and analyses related to the plant products (i.e. level of pesticides used). There have been positive developments as related to the cooperation especially among the countries in the region for mutual aknowlegment of phytosanitary certificates and removal of non-tariff barriers which impede the free circulation of goods. For example, Albania and North Macedonia have agreed to accept the mutual phytosanitary certificates for agricultural exports[37]. Additionally, efforts are made in the frame of regional cooperation by CEFTA countries which by February 2020, have agreed via decision to facilitate and speed trade of vegetables and fruits between CEFTA Parties, including mutual recongnition of certificates[38]. The decision will simplify the system of controls for trade in fruit and vegetables within the CEFTA region and cut down the border control time, which means that producers will be able to deliver their products to end users much sooner. Every CEFTA party engaged to establish a register of certified traders in fruit and vegetables and there will also be a joint CEFTA list of those products which need mandatory phytosanitary certificates[39].

(2) ***Adoption of legislation that support the domestic product "made in albania" has brought agriculture in center of discussions among the business community and government. However further efforts are required to boost the promotion of the sector and implementation of such legislation.***

(1) Further increase of fiscal incentives and support programs for agriculture and agro-processing although there has been an increasing trend in introduction of such schemes. However, considering

[35] *There are several laws applicable in this case: Law no. 9362 "On Plant Protection Service", Law no. 9863"On Food", Law no.10433 "On Inspection".*
[36] *UNECE- "Regulatory and Procedural Barriers to Trade in Albania"- 2016.*
[37] *https://bujqesia.gov.al/shengeni-ballkanik-shqiperia-dhe-maqedonia-e-veriut-nenshkruajne-marreveshjen-per-shkembimin-tregtar-te-produkteve-bujqesore/*
[38] *The CEFTA Joint Committee adopted the Decision on Facilitating Trade for Fruit and Vegetables on 25.02.2020 in Montenegro.*
[39] *https://cefta.int/news/cefta-to-facilitate-trade-in-fruit-and-vegetables/*

the demand for support by business operators and agriculture impact for the country economy, it can be argued for further and significant incremental support. A list of incentives and support programs are listed under Annex 8.

(2) As regards quality policy, the *Law On Quality Schemes For Agricultural Products And Foodstuffs* was adopted in February 2019[40]. It establishes quality schemes and responsible bodies for the recognition and protection of denominations of origin, geographical indications and traditional specialities guaranteed for agricultural products and foodstuffs.

(3) *Geographic indications and appellations of origin.* A geographical indication (GI) is a sign used on products that have a specific geographical origin and possess qualities or a reputation that are due to that origin. In order to function as a GI, a sign must identify a product as originating in a given place. In addition, the qualities, characteristics or reputation of the product should be essentially due to the place of origin. Since the qualities depend on the geographical place of production, there is a clear link between the product and its original place of production. A geographical indication right enables those who have the right to use the indication to prevent its use by a third party whose product does not conform to the applicable standards. However, a protected geographical indication does not enable the holder to prevent someone from making a product using the same techniques as those set out in the standards for that indication. Protection for a geographical indication is usually obtained by acquiring a right over the sign that constitutes the indication. Geographical indications are typically used for agricultural products, foodstuffs, wine and spirit drinks, handicrafts, and industrial products. Albania as of 2017 has adopted in its current legislation new rules for protection and registration of geographic indications and appellation of origin which enable for registration[41].

According to such rules every person or group of natural or legal persons who produces processes or prepares, in a designated geographical zone, a product for the definition of which a geographical indication is used, has the right to file an application for the registration of this indication. Pursuant to these rules the GoA has approved a new regulation which aims to endorse the best practices[42]. As of September 2020, under the respective register of General Directorate of Industrial Property, it results 24 applications for geographic indications out of which 20 indications such as Uji Glina, Geshtenja Tropojes, Jufka Dibrane, etc. have been submitted from Albanian producers.

(4) *On organic farming*[43]. Law "For the production, processing, certification and marketing of "Bio products" has been adopted since 2004[44], creating the legal framework and determining the conditions of production, processing, transport, certification and control of agricultural and food products of plant or animal origin, which are produced, processed and/ or imported and traded as "Bio" products. Subsequently, in order to approximate the legislation with the acquis Communautaire, was approved law no. 106/2016 "On organic production, labelling of biological products and their control" which repealed the law of 2004[45]

A list of licences and procedures to be followed for licensing are detailed under Annex 7 and 8 while a guide for investment procedures in agroprocessing is provided by AIDA and included herein under Annex 9.

[40] *Law no.18/2019*
[41] *Amendments to the law no.9947 dated 07.07.2008 "On Industrial Property" were introduced by law no.17/2017 under its part V.*
[42] *CoM Decision No.251, dated 24.4.2019*
[43] *https://bujqesia.gov.al/prodhim-bio/*
[44] *Law no.9199/2004*
[45] *Law 106/2016 repealed law 9199/2004 and ensured partial alignment with Council Regulation (EC) no. 834/2007, date 28 June 2007, "On organic production and labelling of organic products and repealing Regulation (EEC) No 2092/91", as amended.*

IV. MAIN FINDINGS FOR SELECTED PRODUCTS

4.1 Tomatoes

Production and processing trends

The production of tomatoes has significantly increased in the last ten years, becoming the most important vegetable product both in terms of cultivated area and share of total vegetable production. In 2019 tomatoes covered about 24% of total vegetable areas, producing about 36% of the total vegetable production. About 51% of the total tomato production is made in greenhouses, constituting about 56% of the total greenhouse vegetable production.

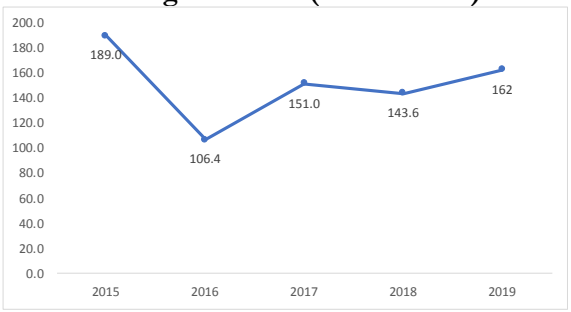
Share of tomato production in total vegetable production in Albania

	Total Area (ha)		Greenhouses Area (ha)		Total Production (Tons)		Greenhouse Production (Tons)	
	2018	2019	2018	2019	2018	2019	2018	2019
Total fresh vegetables	25 854	27 458	3 080	3 239	771 724	832 732	248 816	264 085
Tomatoes	6 587	6 663	1 603	1 670	288 626	299 669	139 857	148 249
Tomatoes/Total vegetables (%)	25%	24%	52%	52%	37%	36%	56%	56%

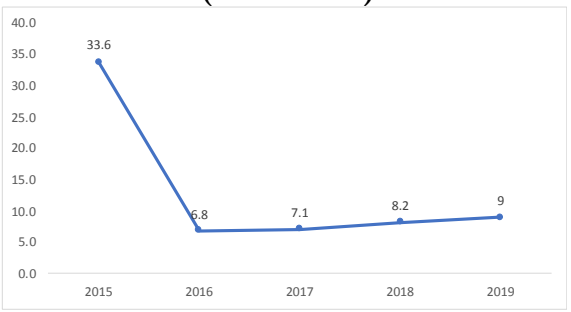
Source: MoARD

According to INSTA (2019), **the greenhouse sector is dominated by unheated greenhouses (solar, mostly plastic greenhouses), with lower investment and operation costs compared to heated greenhouses**. Most of greenhouses are simple plastic greenhouses and only about 5% of the total area of greenhouses is heated. There are two main reasons for the dominance of non-heated greenhouses: (i) favourable climate conditions; and (ii) the high cost of fuel for heating greenhouses. Most greenhouses are small, operated by smallholder farmers with limited financial resources, who prefer opting for low cost investments (typically in this case, unheated plastic greenhouses).[46]

Production of processed/canned vegetables during 2015-2019 (million ALL)



Production of tomato sauce during 2015-2019 (million ALL)



Source: MoARD

Tomato processing is limited and its oscillations reflect the unreliability and inappropriateness of supply of raw material for agro-processing. Based on MoARD data the canned vegetables and fruit processing industry are represented by about 29 companies (about 1.2% of the total number of agro-processing sector). The main products produced include canned vegetables (cucumber, pepper), tomato

[46] *Skreli, E. & Imami, D. (2019). Greenhouse vegetable sector in Albania. AASF.*

sauce and dried tomatoes. The production of processed vegetables significantly dropped in 2016 and then shows a slight increase in the coming years. However, its oscillation reflects the unreliability of supply with appropriate quality and prices of raw materials. The current farm supply of raw materials is unfavourable for agro-processing due to two main reasons: (i) unsuitability of cultivated tomato cultivars in terms of meeting processing requirements, and (ii) a small volume of tomatoes available at low enough prices to be competitive for processing. The current tomato production structure (in terms of farm size, tomato varieties, costs, and prices) is oriented towards fresh tomato market.

Market

The exports of fresh tomatoes have increased substantially during recent years, making Albania an important international/regional player, especially from greenhouse production. Fresh tomatoes constitute about 11.4% of the total agro-food exports. Export of fresh tomatoes has increased significantly (almost 10 times since 2010) and has shown a rather stable international demand. The backbone of this fast increase is manly related to the rapid development in greenhouse production areas and private investments.

As for the other vegetable products, most of fresh tomato exports happen in countries with low purchasing power, therefore, the export prices of fresh tomatoes remain rather low. Most tomatoes are sold in the region Western Balkan countries (e.g. Kosovo, followed by Serbia, Bulgaria and Bosnia and Herzegovina) or new EU countries (such as Romania and Bulgaria) with lower purchasing power compared to EU-15 area countries. One reason is that the products are not standardized and are rarely certified. Although the Global G.A.P certification has started increase in the last few years, the total areas of certified production remains very limited. Also, the supply chains are not very well-organized, relying in many cases on spot market.[47] On the other hand, there may be under-reporting (in the customs) considering the informality that characterizes Albania and several destination countries. [48]

Value of export and imports of fresh tomatoes (million ALL)

	2015	2016	2017	2018	2019
Import Value	231	225	182	273	197
Export Value	2 830	3 299	4 228	4 439	4 033
Balance (EXP - IMP)	2 599	3 074	4 045	4 166	3 836

Source: GDC

Supply balance of fresh tomatoes

	2015	2016	2017	2018	2019
Production (Tons)	256 540	284 632	286 909	288 626	299 669
Imports (Tons)	2 996	3 002	2 307	3 848	2 743
Exports (Tons)	57 929	65 800	72 641	74 898	78 107
Supply (Tons)	201 608	221 834	216 576	217 575	224 305
Import/Supply (%)	1.5%	1.4%	1.1%	1.8%	1.2%
Export/Production (%)	22.6%	29.7%	33.5%	34.4%	34.8%

Source: MoARD, GDC

According to AASF study, the domestic market is dominated by the local production – the share of import to the domestic supply (which is a proxy to the consumption and is calculated by adding import and subtracting exports to domestic production) is very modest, namely less than 2%. While the domestic market remains the main market for the local production, the share of production of fresh tomatoes directed for export, has increased significantly, from 22.6% in 2015 to about 34.8% in 2019.

[47] *GIZ (2019). Programme for "Sustainable Development in Rural Areas in Albania".*
[48] *Skreli, E. & Imami, D. (2019). Greenhouse vegetable sector in Albania. AASF.*

As regards processed tomatoes, the trade balance is highly negative. As for fresh tomatoes, most of the canned tomatoes are sold in the region Western Balkan countries and new EU countries, while the very little quantities of dried tomatoes produced in Albania are sold almost all in Italy.

Value of export and imports of tomato sauce (million ALL)

	2015	2016	2017	2018	2019
Import Value	116	130	137	161	162
Export Value	1	6	5	2	4
Balance (EXP - IMP)	(115)	(124)	(132)	(160)	(158)

Source: GDC

Supply balance of tomato sauce

	2015	2016	2017	2018	2019
Production Value (mln ALL)	34	7	7	8	9
Imports Value (mln ALL)	116	130	137	161	162
Exports Value (mln ALL)	1	6	5	2	4
Supply Value (mln ALL)	149	131	139	168	167
Import/Supply (%)	78.2%	99.7%	98.8%	96.1%	96.9%
Export/Production (%)	3.5%	4.9%	3.9%	0.9%	2.3%

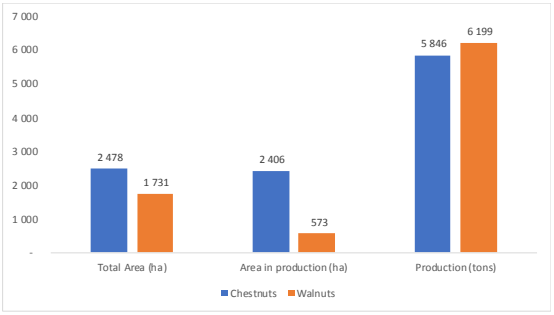
Source: MoARD, GDC

4.2 Nuts

Production and processing trends

Nuts (especially chestnuts) represent an important source of income for remote mountain communities in Albania, where intensive agriculture is not viable. Chestnut represents the most important nut product in terms of production and international trade. Production of chestnuts is largely based on existing forest massifs, most of them de facto organic and parts of the production sites also certified as organic, which represents a clear export potential.[49]

Area and production of chestnuts and walnuts in 2019



Source: INSTAT, MoARD

The total chestnuts production has slightly reduced from 6,600 tons in 2015 to about 5,846 tons in 2019. The main chestnuts areas are found in Tropoja region (the main area of chestnut production, with a huge massif of about 2000 ha), followed by Malesi e Madhe, Dibër, Puke, Shkoder Bulqize, Librazhd and Mat. In most of these massifs, production and productivity of chestnuts are hampered by the large number of old trees and diseases.

The chestnuts processing industry in Albania remains very limited, with only a couple of companies producing very limited quantities, involving mostly: (i) sorting of chestnuts in size; washing; drying; packaging into small bags; and in few cases (ii) removal of peel by heating the nut and removing the peel manually.

The production of walnuts takes place on state forest land and on small scale cultivated land. Walnut on public land is in the form of small patches of forest and on smallholder's land it is in the form of a few trees planted as part of a small mixed orchard or scattered trees planted mostly on the boundaries between fields.

[49] *Skreli, E. Imami, D. 2019. Chestnuts Sector Study. Albania Agribusiness Support Facility (AASF).*

The total walnuts area in 2019 was approximately 1,730 ha of which only 573 ha in full production. In 2019, Albania produced a total about 6,199 tons of walnuts[50].

There is limited statistics available on production of hazelnuts and almond in Albania. Limited orchard production of hazelnuts takes place in the districts of Fier, Korce, Gjirokaster and Pogradec, on smallholder's land. Hazelnut plants are also found as part of mixed orchards and as scattered trees on boundaries between fields. There are also hazelnuts growing wild throughout the country. Limited orchard production of almonds takes place in the districts of Mallakaster, Fier, Permet, Tepelene, Durres, Durres and Vlore on smallholders' land.

Market

The total export of chestnuts in 2019 was 2,157 tons (representing about 343 Mln ALL, or about 1% of the agriculture sector exports) marking about 39% reduction as compared to 3,561 tons in 2015 (representing about 646 Mil ALL, or about 4.2% of the Agriculture sector exports). Chestnuts exports has increased significantly over the last year. Most of the exports go to Italy as organic raw product for the processing industry, with some small quantities being sold in Kosovo, Serbia and Macedonia. The price obtained for Albanian chestnuts is among the lowest in the world, mostly due to lack of product standard and poor post-harvest processes. The exports of the other nuts' products (walnuts, hazelnuts and almond) are very small and erratic.

Value of export and imports of Chestnuts (million ALL)

	2015	2016	2017	2018	2019
Import Volume (Tons)	181	196	234	272	327
Import Value (million ALL)	11	13	14	17	22
Export Volume (Tons)	3 561	5 859	2 712	1 931	2 157
Export Value (million ALL)	658	1 069	480	340	365
Balance in value (EXP - IMP)	646	1 056	466	323	343

Source: GDC

4.3 Medical and aromatic plants

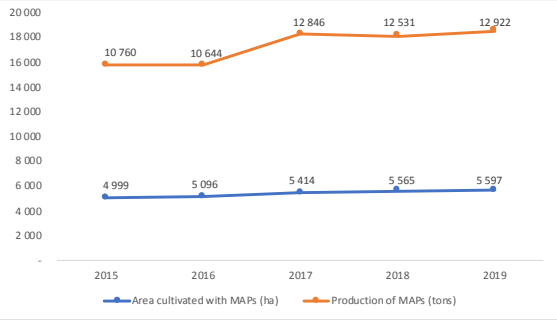
Production and processing trends

Albania has a strong tradition in the production and export of MAPs. Although significant amounts of wild MAPs are collected from the forests, the cultivation of MAPs has gained importance in the last years. The total production of cultivated MAPs has increased by about 20% in the last five years, reaching about 12,922 tons in 2019 (compared to 10,760 tons in 2015). About 90% of farmers cultivating MAPs being located in Shkodra region (mostly in Malesi e Madhe). The main cultivated MAPs are sage, lavender and thyme. According to AASF study[51], there are around 20 small processors performing simple processing (with a processing capacity varying between 150 to 500 MT annually) and about 8-20 medium to larger processors/exporters (with a processing capacity varying between 500 MT and 2400 MT annually).

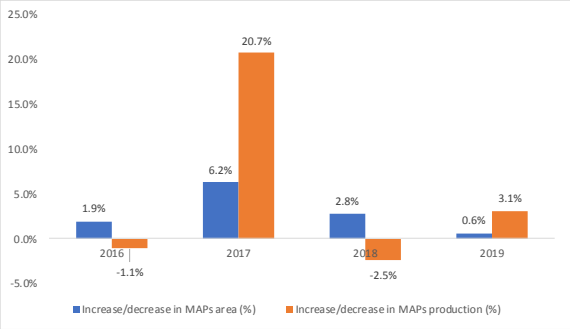
[50] *INSTAT*

[51] *Skreli, E. Imami, D. 2019. Medical and Aromatical Plans Sector Study. Albania Agribusiness Support Facility (AASF).*

Area and production of cultivated MAPs (in tons)



Annual increase/decrease of area and production of cultivated MAPs (in %)



Source: INSTAT, MoARD

Market

More than 95% of the total MAPs that are collected and cultivated in the country are exported, making Albania an important international player in the sector. Albania is an important supplier of raw material or half-finished products for many EU and US industries in different sectors (food and beverage industry, healthcare, cosmetics and perfumes, additives etc.); almost 3⁄4 of sage imported by USA has come from Albania. The increase in export is triggered by a combination of growing supply (mainly through growth of cultivates MAPs) and increasing world market demand. On the other hand, the increase in exports and growing supply is associated with several challenges related to organisation and coordination between and among the actors. It is to be noted that from the interviews it is evidenced an increase of the pharmaceutical market for the essences.

Value of export and imports of MAPs (million ALL)

	2015	2016	2017	2018	2019
Import Volume (Tons)	205	102	194	193	204
Import Value (million ALL)	58	41	52	72	59
Export Volume (Tons)	12 457	12 789	11 875	12 261	11 715
Export Value (million ALL)	3 709	3 646	3 242	3 800	4 107
Balance in value (EXP - IMP)	3 650	3 605	3 190	3 728	4 048

Source: GDC

Exports of essential oils (million ALL)

	2015	2016	2017	2018	2019
Value of Exports (Lek)	34 477	48 319	53 966	275 812	595 096

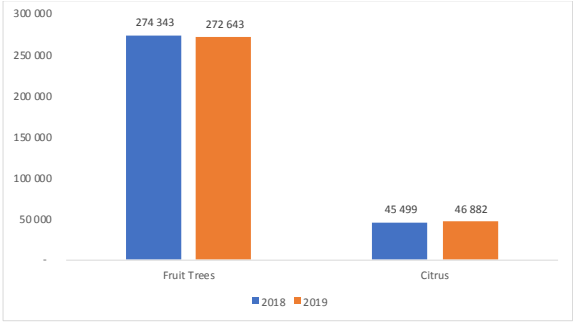
Source: Association of Aromatic and Medical Plants

4.4 Fruit juices

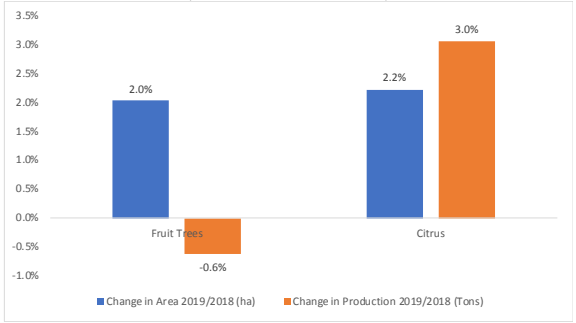
Production and processing trends

The fruits value chain has grown considerably in the recent years, accounting to about 22% of the total agricultural output[52]. During the past decade, the fruits production has witnessed a significant increase in yields and surfaces planted with fruit trees. Different support schemes from the Albanian government, IPARD and other donor agencies, have played an important role in stimulating the expansion of the fruits sub-sector in planting of new orchards, investment in wells and irrigation systems, plant protection systems, seedlings of indigenous varieties, etc.

Production of fruit trees and citrus in 2018 and 2019 (in tons)



Annual increase/decrease of area and production of fruit trees and citrus (2019/2018, in %)



Source: MoARD (2020)

The fruit juice production in Albania is rather underdeveloped and there a no available statistics on the total fruit juice produced in the country. There are only two companies producing fruit juice with locally produced fruits, mostly from apples (located one in Korca and one in Dibra), while other companies producing fruit juices use mainly based on imported fruit concentrate. However, there are strong oscillations in production of fruit juice from year to year due to oscillations in availability of raw materials and processing technologies.

Market

The trade balance of fruit juice is highly negative, with imports being about 38 times higher than exports in 2019. The total exports of fruit juice have decreased from 123 tons in 2016 to only about 94 tons in 2019. In addition, during the last five years Albania has imported between 175 to about 260 tons of fruit concentrate annually, which is used by the processing industry fruit production and can potentially be substituted with local production.

Value of export and imports of fruit juices (million ALL)

	2015	2016	2017	2018	2019
Import Volume (Tons)	2 569	2 285	2 876	2 721	2 995
Import Value (million ALL)	295	286	364	324	306
Export Volume (Tons)	106	123	18	4	94
Export Value (million ALL)	11	11	2	1	8
Balance in value (EXP - IMP)	(285)	(275)	(363)	(323)	(299)

Source: GDC

Value of export and imports of fruit concentrates (million ALL)

	2015	2016	2017	2018	2019
Import Volume (Tons)	256	257	248	176	232
Import Value (million ALL)	69	95	107	80	65
Export Volume (Tons)	1	-	-	-	1

[52] *GIZ (2019). Programme for "Sustainable Development in Rural Areas in Albania"*

Export Value (million ALL)	0	-	-	-	0
Balance in value (EXP - IMP)	(68)	(95)	(107)	(80)	(64)

Source: GDC

4.5 Investment potential[53] – tomato, nuts, fruits

Tomatoes

The processed tomato products that have highest potential in the export market are dried tomatoes and tomato sauce and tomato juices. However, the main constraint to development of tomato processing industry is the limited supply (in quantities and qualities) of raw material suitable for processing industry. The development of such suitable supply of would require:

- ✓ introduction of tomato cultivars that are suitable for processing (which could be cultivated also in open fields);
- ✓ production in larger farm sizes and with mechanisation (in order to produce enough large quantities at low costs).
- ✓ Investments from the glass industry to produce the packaging of the sauce product since the packaging constitutes about 40% of the production cost and at the same time has high opportunities for export.

The domestic demand for tomato sauce is high, but there is a problem in the provision of appropriate raw materials. Approximately 70-80 ha of tomatoes are required to be grown for sauce to ensure local consumption. Considering that the demand for export is 3 times higher than the national consumption, there is nee to cultivate about 200-250 ha of tomato in order to produce the required quantities of tomato sauce. Based on the Tech Chards, the cost for the production of 1 ha of tomato for sauce is about 8000 euros / ha. So, an investment of 560,000 euros is required to provide the raw material to meet the demand of the domestic market, and 1.6 million euros to secure the export market.

Medical and Aromatic Plants

Exports for medicinal plant essences represent investment potentials from the market but it requires a harmonization of the interactive links in the domestic value chain in MAPs. This fulfilment of market demand would require an investment in distillery in the amount of about 6 million Euros, supported by investments in farms in an area of about 11,000 ha at a value of approximately 50 million Euros.

Chestnuts

Domestic and international market demand for chestnuts is very high, as this product can be used as fresh product and in the processing industry. Approximately 3,500 ha of chestnuts are required to be cultivated to ensure domestic consumption and export demand. Based on the Tech Cards, the cost for the production of 1 ha chestnuts is about 8,000 euros / ha. Based on statistical data in Albania there are about 2500 ha with chestnuts. So, an investment of 8 million euros would be required to increase 1,000 ha with chestnuts to ensure the production of raw materials to potentially meet the demand of the domestic market and the export market.

Fruit Juices

[53] *Investment values (cost, raw material value, market demand, etc.) in this section are calculations of the expert that the Secretariat engaged for this study*

Dometic demand for fresh fruit juices is relatively high (about 3 million liters are imported, excluding concentrate). This investment project requires support in raw material production, ie the planting of about 1,000-1,200 ha of fruiter (mainly oranges), at a cost of about 7-8 million Euros. In order for this manufacturing industry to be competitive in international markets, it requires investments from the glass industry, since packaging makes up about 40% of the production cost.

V. RECOMMENDATIONS

The following recommendations are product of the analyses and consultation of IC Secretariat with stakeholders and a number of 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[54], some of which remains still coherent and relevant for the analysed sectors.*

5.1 Cooperation, Value Chain Integration and Supply of Raw Materials

1) **In order to incentivise improved farmers' cooperation <u>within the four above mentioned key sub-sectors</u>, 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);
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.
   - ✓ **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,

[54] *"On Economic Recovery Post Covid-19", "On Investments Potentials and Priority Sectors", "Legal Security on Property", "Access to Finance on Agriculture", "Informality of the Economy", "E-Permits Platform".*

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.

- ✓ **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.
- ✓ **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.
- ✓ **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.

5.2 Market Information

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.

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:
   - agricultural and processing trends of investment potentials in light of market demand for export;
   - 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.

5.3 Quality and Competitiveness

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.

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;
   - ✓ 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.

7) **Explore possibilities to incentivize investors in factories for the production of glass packaging within the country.**

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.
   - ✓ **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.
   - ✓ **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.
   - ✓ **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 a well _governed sector and 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.

5.4 Business Management, Operations, and Education

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.**

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 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.

5.5 Institutional and Legal Matters

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:

11) 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.

12) Approval of the draft-law *"On vineyards and wine"* which has been subjected to notification and public consultation as of June 2020.

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.

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.

5.6 Access to Finance

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.

16) **Creation of Insurance coverage schemes for agriculture business products by introducing the state as an intermediary.** From the region, for example[55], 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 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.

VI IC MEMBERS SUGGESTIONS

6.1 German Association of Industry and Trade in Albania

(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 e.g. AIDA regarding the effectiveness of these funds. Maybe a special structure, but this would take time also because of the legal framework.

[55] *Insurance Supervision Agency (2015) "Agriculture Insurance in Macedonia"*

(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. The problem of economies of scale will continue to remain. The law on cooperatives actually had to solve this problem somehow, but the lack of trust and entering into contractual relations with the neighbour in the absence of courts prevented farmers from entering into partnerships. And if we have some examples today, they are not in fact genuine cooperatives in the spirit of the 2012 law. They are more of a collector-farmer relationship. And this relationship works according to the rules of the free market probably with some preliminary contracts for the production of specific products, but in the end the price and rules are determined by the collector, as the supply is greater than the demand or the bidder (Farmer) does not recognize the demand. really. This is the Summary domain. Therefore, information on the market, finding the customer is much more important than all the above factors, 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. On the other hand, the products would no longer be discarded due to the low price as the products would be traded a year before being produced through securities and contracts, which of course have to be secured in insurance companies and banks. If the farmer has contracts closed one year before production, access to banks also becomes easier. In this case the Farmer has a Business Plan. The simple market of agricultural products is associated with high storage costs, which certainly cannot meet every farmer in Albania, but large collectors who know the market can buy securities and then store or process the products.

6.2 Union of Chambers of Commerce and Industry of Albania

(1) Making a decision to allow the import of only 24-hour birds and adopting rules and guidelines for managing the situation created;
(2) Strengthening the work of all institutions and in particular the veterinary service and the NFA (AKU), where each institution to perform relevant verifications, from licensing to biosafety violations and consumer health;
(3) Promoting the cultivation of uncultivated lands with fodder crops for livestock, through state incentives;

(5) Subsidizing poultry meat, like in neighbouring countries such as Northern Macedonia, this subsidy goes up to 30 cents per kg of poultry.

6.3 Doni Fruits Ltd

TAM- Packaging tax is currently 100 lek kg for raw materials and 350 lek kg for finished product. We propose to remove TAM for plastic packaging for agro products, due to the increasing need for storage of agricultural products - apples, pears, kiwi, pomegranates, grapes, etc. this enables us to store products with favourable conditions in the refrigerator and increases the value of the product when the market needs it, as well as enables the stop of imports of these products.

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7 ANNEXES

ANNEX 1 Strategic Investments in MAPs

STRATEGIC INVESTMENTS IN AGRI-BUSINESS

Sector:	Medicinal and Aromatic Herbs (MAPs)	
Investment in technology:	Production of essences from the MAP sector	
Technology:	Distillation installation for MAP processing	
Number of necessary Distillers:	2 Distillers with capacity 150 tons	
Financing value for distiller	3 million Euros	
Market Demand for Albania:	400 tons of essences (120 mil Euro)	
Essence products	**MAPs raw material**	**Processing volume (%)**
	Laurel	30 %
	Lavender	40%
	Juniper Berry	15%
	Helichrysum	10%
	Other	5%
Need for essence	**Production Technology**	**Need for raw material & land (ha)**
120 tons essence of laurel	1 ton laurel = 5 kg essence	Cultivated **1200 ha**=24,000 tons laurel
160 tons essence of lavender	1 ton lavender = 10 kg essence	Cultivated **800 ha**=16,000 tons lavender
60 tons essence of juniper berries	1 ton juniper berries = 14 kg essence	Cultivated **857 ha**=4,285 tons juniper berries
40 tons of helichrysum	1 ton helichrysum = 1 kg essence	Cultivated **8000 ha**=40,000 tons helichrysum
20 tons of other	mix	n/a
Required quality and safety standard	☐ **Global G.A.P.** ☐ **IFS** ☐ **HACCP** **x Organic** **x Other standard:** NOP (USDA)	
Main selling market: - Regional (AL, BH, KS, MK, SRB) - International	☐ Local and regional market **X** Request from international supplier	
Explanatory note	The demand for the essences of medicinal plants in the world market requires a harmonization of the interactive links in the value chain in the MAPs sector. Meeting of the market demand requires an investment in distillery for the value of 6 mil Euros, supported by investments in farms in an area of about 11,000 ha for an approximate value of about 50 million Euros.	

ANNEX 2 Strategic Investments in Chestnut Processing

STATEGIC INVESTMENTS IN AGRI-BUSINESS

Sector:	Chestnut processing	
Investment in technology:	Processing of chestnuts for skinless fruit and flour	
Technology:	Chestnut processing line (including refrigeration facilities and freezing tunnel)	
Number of necessary factories:	1 factory with a capacity of 8-10 tons/hour	
Financing value per line	1.5 million Euros	
Market Demand for Albania:	4000 tons of chestnuts	
Production of skinless chestnut and flour for industry	**Raw material**	**Processing volume (%)**
	Chestnut	100 %
Need for product	**Production Technology**	**Need for raw material & cultivated land (ha)**
Skinless chestnut 3000 tons	1 ton of chestnut = 500 kg skinless chestnut (1/2 roasted)	Cultivated **2400 ha**=6,000 tons of chestnuts
Chestnut flour 1000 tons	1 ton of chestnut = 400 kg chestnut flour (processed after roasting)	Cultivated **1000 ha**=2,500 tons of chestnuts
Required quality and safety standard	☐ **Global G.A.P.** ☐ **IFS** **x HACCP** **x Organic** **x Other standard:** ISO 22000	
Main selling market: - Regional (AL, BH, KS, MK, SRB) - International	**x** Local and regional market **X** Request from international supplier	
Explanatory note	The domestic and international market demand for chestnuts is very high, as it is used for direct consumption and for the confectionery industry. Approximately 3500 ha of chestnuts are required to be cultivated to meet the domestic consumption and the export demand. Based on production technology, the cost for the production of 1 ha of chestnuts is around 8,000 euros/ha. Based on statistical data, in Albania there around circa 2500 ha with chestnuts. Hence, an investment of 8 million euros is required to increase 1000 ha with chestnuts to secure the production of raw material to meet the demand of domestic market and the export market.	

ANNEX 3 Strategic Investments in Tomato Processing

STATEGIC INVESTMENTS IN AGRI-BUSINESS

Sector:	Tomato processing	
Investment in Technology:	Tomato sauce production	
Technology:	Sauce processing line (aseptic puree)	
Number of necessary factories:	1 factory with capacity 5-7 tons/hour	
Financing value per line	1.2 million Euros	
Market Demand for Albania:	2000 tons of tomato sauce	
Sauce production	**Raw material**	**Processing volume (%)**
	Tomato (variety Roma, Giuleta, San Marziano etc.)	100 %
Need for tomato sauce in Albania	**Production Technology**	**Need for raw material and cultivates land (ha)**
2000 tons of tomato sauce	1 ton of tomato = 600 kg sauce	Cultivated **70-80 ha**=4,000 tons of tomato
Required quality and safety standard	☐ **Global G.A.P.** ☐ **IFS** **x HACCP** ☐ **Organic** **x Other standard:** ISO 22000	
Main selling market: - Regional (AL, BH, KS, MK, SRB) - International	**x** Local and regional market **X** Request from international supplier	
Explanatory note	The demand of Albanian market for tomato sauce is high, but the problem lies in the provision of raw materials. Circa 70-80 ha of tomatoes for sauce are required to be cultivated to meet the local consumption. Meanwhile, the demand for export is 3 times higher than the national consumption, therefore circa 200-250 ha of tomatoes for sauce is required for cultivation. Based on the Production Technology, production cost for 1 ha of tomato for sauce is circa 8000 euro/ha. Therefore, it is required an investment of 560,000 euros to secure the raw material to meet the demand of the local market, and 1.6 mil euros to meet the demand of the export market.	

ANNEX 4 Strategic Investments in Fruit Processing

STRATEGIC INVESTMENTS IN AGRI-BUSINESS

Sector:	Fruit processing (fruit juices and concentrates)	
Investment in technology:	Production of fruit juices and concentrate	
Technology:	Line installation for the production of juices and juice concentrate	
Necessary number of production lines for the production of juices and concentrate:	1 Factory for the production of juices and concentrate with the capacity 8-10 tons/hour	
Financing value for a line:	1.8 million Euros	
Local Market Demand:	20-24 million litres of juice	
National production:	Circa 18 mil litres/year	
Import of juices and concentrate	Circa 5-6 mil litres/year (including concentrate converted in juice)	
Products by type	**Raw material**	**Processing volume (%)**
	Apple	25 %
	Orange	50%
	Cherry	10%
	Pear	5%
	Other (forest fruits)	10%
Need for Juices	**Production Technology**	**Need for raw material & cultivated land (ha)**
6 mil litres of apple juice	1 ton apples = 500 litres of apple juice	12,000 tons of apples for fresh juice and 600 tons for concentrate. Based on the production technology of apples, the entire quantity of raw material is produced in Albania. It has been estimated the processing of third quality (and partly of second quality)
12 mil litres of orange juice	1 ton oranges = 600 litres of orange juice	19,800 tons of oranges for fresh juice and 2,500 tons for concentrate. Based on production technology, it is required to cultivate circa 450-500 ha of oranges for processing and concentrate.
2.4 mil litres of cherry juice	1 ton cherries = 400 kg of cherry juice	6000 tons of cherry for fresh juice and 1600 tons for concentrate. Based on production technology, it is required circa 400 ha of cherries for processing.
1.2 mil litres of pear juice	1 ton pear = 500 litres of pear juice	2400 tons of pear for fresh juice and 800 tons for concentrate. Based on production technology, it is required circa 150 ha of pears for processing.
2.4 mil litres for mix juice	mix	n/a

Required quality and safety standard	☐ **Global G.A.P.** ☐ **IFS** **x HACCP** ☐ **Organic** **x Other standard: ISO 22000**
Main selling market: - Regional (AL, BH, KS, MK, SRB) - International	**x** Local and regional market **X** Request from international supplier
Explanatory note	The demand for fresh fruit juices is relatively high where circa 3 mil litres are imported (excluding concentrate). The realization of this investment project requires support for the production of raw materials, i.e. the planting of circa 1000-1200 ha orchards (mainly oranges), with a cost of around 7-8 million Euros. For this production industry to be competitive in the international markets, it requires investments from the glass industry since packaging makes up around 40% of production costs. High export potential.

ANNEX 5 Cost for the Establishment of a Plot with Helichrysum

COST FOR THE ESTABLISHMENT OF A PLOT WITH HELICHRYSUM						
	Description	**Unit**	**Unit/ha**	**ALL/unit**	**ALL/ha**	**Weight of investment items**
A	**Mechanized works for soil preparation and orchard planting**					
1	Ploughing up to 70 cm	ha	1	12,000	12,000	2.18%
2	Ploughing II	ha	1	12,000	12,000	2.18%
3	Milling	ha	1	10,000	10,000	1.82%
4	Cultivation	ha	1	12,000	12,000	2.18%
	Total mechanized works				**46,000**	**8.4%**
B	**Handwork for soil preparation and orchard planting**					
1	Dotting holes	norma pune	2	1,500	3,000	0.5%
2	Distribution of manure in the holes	norma pune	4	1,500	6,000	1.1%
3	Seedling preparation	norma pune	0.5	1,500	750	0.1%
4	Planting	norma pune	10	1,500	15,000	2.7%
5	Hoe process	norma pune	13	1,500	19,500	3.6%
6	Harvesting	norma pune	20	1,500	30,000	5.5%
7	Drying	norma pune	8	1,500	12,000	2.2%
	Total handwork				**86,250**	**15.7%**
C	**Materials and inputs for the orchard**					
1	Seedling preparation	rrenje	5,000	8	40,000	7.3%
3	Irrigation system	leke			280,000	51.0%
4	Manure	kv	300	250	75,000	13.7%
5	DAP	kv	3	5,000	15,000	2.7%
6	Nitrogen fertilizers	kv	2	3,500	7,000	1.3%
	Total materials				**417,000**	**75.9%**
	TOTAL PLOT WITH HELYCHRYSUM				**549,250**	**100%**

ANNEX 6 Cost for the Establishment of a Chestnut Orchard

COST FOR ESTABLISHING A CHESTNUT ORCHARD						
	Description	**Unit**	**Unit/ha**	**ALL/unit**	**ALL/ha**	**Weight of investment items**
A	**Mechanized works for soil preparation and orchard planting**					
1	Terrace	ha	1	14,000	14,000	1.40%
2	Drainage	ha	1	28,000	28,000	2.80%
3	Ploughing up to 70 cm	ha	1	12,000	12,000	1.20%
	Total mechanized works				**54,000**	**5.4%**
B	**Handwork for soil preparation and orchard planting**					
1	Dotting holes	work norm	4	1,000	4,000	0.4%
2	Digging holes	nr	600	100	60,000	6.0%
3	Distribution of manure in the holes	nr	600	30	18,000	1.8%
4	Planting	nr	600	100	60,000	6.0%
	Total handwork				**142,000**	**14.2%**
C	**Materials and inputs for the orchard**					
1	Two year old orange seedlings	tree	600	650	390,000	39.0%
2	Sticks for supporting small trees	pcs	600	25	15,000	1.5%
3	Irrigation system	ALL			280,000	28.0%
4	Manure	kw	200	250	50,000	5.0%
5	Phosphoric chemical fertilizer	kw	5	8,400	42,000	4.2%
6	Potassium chemical fertilizer	kw	4	7,000	28,000	2.8%
	Total materials				**805,000**	**80.4%**
TOTAL ORCHARD WITH CHESTNUT					**1,001,000**	100%

ANNEX 7 Cost for the Establishment of a Plot with Lavanda

COST FOR THE ESTABLISHMENT OF A PLOT WITH LAVANDA						
	Description	**Unit**	**Unit/ha**	**ALL/unit**	**ALL/ha**	**Weight of investment items**
A	**Mechanized works for soil preparation and orchard planting**					
1	Ploughing up to 70 cm	ha	1	12,000	12,000	2.12%
2	Ploughing II	ha	1	12,000	12,000	2.12%
3	Milling	ha	1	10,000	10,000	1.77%
4	Cultivation	ha	1	12,000	12,000	2.12%
	Total mechanized works				**46,000**	**8.1%**
B	**Handwork for soil preparation and orchard planting**					
1	Dotting holes	work norm	2	1,500	3,000	0.5%
2	Distribution of manure in the holes	work norm	4	1,500	6,000	1.1%
3	Seedling preparation	work norm	0.5	1,500	750	0.1%
4	Planting	work norm	10	1,500	15,000	2.7%
5	Hoe process	work norm	7	1,500	10,500	1.9%
6	Harvesting	work norm	14	1,500	21,000	3.7%
7	Drying	work norm	4	1,500	6,000	1.1%
	Total handwork				**62,250**	**11.0%**
C	**Materials and inputs for the orchard**					
1	Seedling preparation	tree	10,000	8	80,000	14.2%
3	Irrigation system	ALL			280,000	49.5%
4	Manure	kw	300	250	75,000	13.3%
5	DAP	kw	3	5,000	15,000	2.7%
6	Nitrogen fertilizers	kw	2	3,500	7,000	1.2%
	Total materials				**457,000**	**80.8%**
	TOTAL PLOT WITH LAVANDA				**565,250**	**100%**

ANNEX 7 Cost for the Establishment of a Plot with Sage

COST FOR THE ESTABLISHMENT OF A PLOT WITH SAGE						
	Description	**Unit**	**Unit/ha**	**ALL/unit**	**ALL/ha**	**Weight of investment items**
A	**Mechanized works for soil preparation and orchard planting**					
1	Ploughing up to 70 cm	ha	1	12,000	12,000	1.24%
2	Ploughing II	ha	1	12,000	12,000	1.24%
3	Milling	ha	1	10,000	10,000	1.04%
4	Cultivation	ha	1	12,000	12,000	1.24%
	Total mechanized works				**46,000**	**4.8%**
B	**Handwork for soil preparation and orchard planting**					
1	Dotting holes	work norm	2	1,500	3,000	0.3%
2	Distribution of manure in the holes	work norm	4	1,500	6,000	0.6%
3	Seedling preparation	work norm	1	1,500	1,500	0.2%
4	Planting	work norm	20	1,500	30,000	3.1%
5	Hoe process	work norm	13	1,500	19,500	2.0%
6	Harvesting	work norm	20	1,500	30,000	3.1%
7	Drying	work norm	8	1,500	12,000	1.2%
	Total handwork				**102,000**	**10.6%**
C	**Materials and inputs for the orchard**					
1	Seedling preparation	tree	55,000	8	440,000	45.6%
3	Irrigation system	ALL			280,000	29.0%
4	Manure	kw	300	250	75,000	7.8%
5	DAP	kw	3	5,000	15,000	1.6%
6	Nitrogen fertilizers	kw	2	3,500	7,000	0.7%
	Total materials				**817,000**	**84.7%**
	TOTAL PLOT WITH SAGE				**965,000**	**100%**

ANNEX 8 Cost for Establishment of an Orange Orchard

COST FOR ESTABLISHING AN ORANGE ORCHARD							
Nr.	**Planting area (ha)**	1	**Planting distances 4 m x 5 m**				
	Description	**Unit**	**Unit/ha**	**ALL/unit**	**ALL/ha**	**ALL/Total**	**Weight of investment items**
A	**Mechanized works for soil preparation and orchard planting**						
1	Ploughing up to 70 cm	ha	1	12,000	12,000	12,000	1.42%
2	Milling	ha	1	10,000	10,000	10,000	1.19%
3	Grejderim	ha	1	20,000	20,000	20,000	2.37%
	Total mechanized works				**42,000**	**42,000**	**5.0%**
B	**Handwork for soil preparation and orchard planting**						
1	Drainage line opening every 10 m wide (30cm)	m3	12	250	3,000	3,000	0.4%
2	Cleaning the drainage channel	m3	4	250	1,000	1,000	0.1%
3	Dotting holes	ha	1	4,000	4,000	4,000	0.5%
4	Digging holes	work norm	500	100	50,000	50,000	5.9%
5	Distribution of manure in the holes	work norm	500	30	15,000	15,000	1.8%
6	Planting	work norm	500	100	50,000	50,000	5.9%
	Total handwork				**119,000**	**119,000**	**14.1%**
C	**Materials and inputs for the orchard**						
1	Two year old orange seedlings	tree	500	500	250,000	250,000	29.6%
2	Sticks for supporting small trees	pcs	500	25	12,500	12,500	1.5%
3	Irrigation system	ALL			300,000	300,000	35.6%
4	Manure	kw	200	250	50,000	50,000	5.9%
5	Phosphoric chemical fertilizer	kw	5	8,400	42,000	42,000	5.0%
6	Potassium chemical fertilizer	kw	4	7,000	28,000	28,000	3.3%
	Total materials				**682,500**	**682,500**	**80.9%**
TOTAL ORCHARD WITH ORANGES					**843,500**	**843,500**	**100%**

ANNEX 9 Technology Card – Tomatoes for Sauce in the Field on the Surface of 1HA

TECHNOLOGY CARD - TOMATOES FOR SAUCE IN THE FIELD ON THE SURFACE OF 1HA

Yield 800 kw / ha tomato for sauce cultivated in the open field. Planting scheme 60 x 40 cm (24 thousand plants / ha)

A. Expenses for labor work in ALL

Nr.	Work process	Man/Day	J	F	M	A	M	J	J	A	S	O	N	D
1	Soil preparation + Basic fertilization	6		6										
2	Planting	30			30									
3	Agro technical cultivation expenses	50				10	10	10	10	10				
4	Harvesting and preparing the product for market	100							40	60				
5	Unforeseen	50				10	10	10	10	10				
6	***Total Man/day***	**236**		***6***	***30***	***20***	***20***	***20***	***60***	***80***				
7	***Payment for Man/Day and Social Security Contribution***	***1500***		***1500***	***1500***	***1500***	***1500***	***1500***	***1500***	***1500***				
TOTAL (A). Expenses for labor work in ALL		***354,000***		***9,000***	***45,000***	***30,000***	***30,000***	***30,000***	***90,000***	***120,000***	***0***			

B. Expenses for mechanization

Nr.	Work process	Unit	Volume	Value per unit	Total	J	F	M	A	M	J	J	A	S	O	N	D
1	Ploughing 35-40cm deep	dyn	10	1,200.00	12,000.00			12,000									
2	Transport and distribution of organic fertilizer on the plot	ton	50	100	5,000.00		5,000										
3	Milling	dyn	10	800.00	8,000.00			8,000									

4	Spraying	nr	10	5200	52,000.00				5,200	10,400	15,600	15,600	5,200				
5	Transportation of production from the parcel to the warehouse	ton	100	1500	150,000.00							60,000	90,000				
6	Unforeseen				4,000.00					1,000	1,000	1,000	1,000				
TOTAL (B)					***231,000***		***5,000***	***20,000***	***5,200***	***11,400***	***16,600***	***76,600***	***96,200***	***0***	***0***	***0***	***0***
C. Expenses for materials																	
Nr.	**Description**	**Unit**	**Volume**	**Value per unit**	**Total**	**J**	**F**	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**
1	Seedlings (+ 10% reserve)	seedling	26000	12	312,000				312,000								
2	Organic manure	kv	100	200	20,000			20,000									
3	NPK base fertilizer	kg	400	70	28,000				28,000								
4	Phosphorus	kg	300	60	18,000					9,000		9,000					
5	NPK for growing and maturing	kg	250	50	12,500						2,500	5,000	5,000				
11	Water for irrigation	m3	4000	5	20,000				2,000	3,000	5,000	6,000	4,000				
12	**Unforeseen**				8,000					2,000	2,000	2,000	2,000				
Total (C)					***418500***		***0***	***20,000***	***342,000***	***14,000***	***9,500***	***22,000***	***11,000***	***0***	***0***	***0***	***0***
TOTAL (sum A + B + C)					***1,003,500***		**14,000**	**85,000**	**377,200**	**55,400**	**56,100**	**188,600**	**227,200**	**0**	**0**	**0**	**0**
D. Other expenses																	

Nr.	Description	Total	J	F	M	A	M	J	J	A	S	O	N	D
1	Agro technical assistance	**25000**				5000	5000	5000	5000	5000				
2	Land tax	***25,000***		***0***	***0***	***5,000***	***5,000***	***5,000***	***5,000***	***5,000***	***0***			
TOTAL (sum A + B + C + D)		***1,028,500***		**14,000**	**85,000**	**382,200**	**60,400**	**61,100**	**193,600**	**232,200**	**0**	**0**	**0**	**0**

Production cost (ALL/kg)	13
Selling price	20
Income from sales	1,600,000
TOTAL income (ALL)	1,600,000
PROFIT (ALL)	571,500

ANNEX 10 Technology Card – Apple Cultivation 1HA

TECHNOLOGY CARD - Apple cultivation 1Ha

1 ha APPLE Orchard on substrate M 106, 10 years old, to receive 500kv / ha, with planting scheme 4x2.5m (1000 tree / ha)

A. Expenses for labor work in ALL

Nr.	Work process	Man/day	J	F	M	A	M	J	J	A	S	O	N	D
1	Agro technical cultivation expenses	182	21	48	19	2	29	18	19	10		16		
2	Harvesting and preparing the product for market	100									70	30		
3	Unforeseen	12											6	6
4	***Total Man/day***	***294***	*21*	*48*	*19*	*2*	*29*	*18*	*19*	*10*	*70*	*46*	*6*	*6*
5	***Payment for Man/Day and Social Security Contribution***	***1500***	***1500***	***1500***	***1500***	***0***	***1500***	***1500***	***1500***	***1500***	***1500***	***1500***	***1500***	***1500***
TOTAL (A). Expenses for labor work in ALL		***438,000***	***31,500***	***72,000***	***28,500***	***0***	***43,500***	***27,000***	***28,500***	***15,000***	***105,000***	***69,000***	***9,000***	***9,000***

B. Expenses for mechanization

Nr.	Work process	Unit	Volume	Value per unit	Total	J	F	M	A	M	J	J	A	S	O	N	D
1	Transport of pesticide, chemicals and production	ton	78	500	39000		7800	3900		3900	3900		7800	11700			
2	Plouging between rows 3 times	dyn	30	1200	36000		12000				12000			12000			

3	Milling between rows 5 times	dyn	50	1200	60000		12000		12000		12000		12000		12000		
4	Drainage line opening with plough 50 cm deep	dyn	10	1200	12000										12000		
5	Winter spraying 3 times	dyn	30	1200	36000	12000	12000	12000									
6	Spraying with tractor-pumps 9 times	dyn	90	1200	108000				18000	18000	18000	18000	18000	18000			
7	Unforeseen				24000							12000		12000			
TOTAL (B)					***315,000***	***12,000***	***43,800***	***15,900***	***30,000***	***21,900***	***45,900***	***30,000***	***37,800***	***53,700***	***24,000***	***0***	***0***

C. Expenses for materials

Nr.	Description	Unit	Volume	Value per unit	Total	J	F	M	A	M	J	J	A	S	O	N	D
1	Composted manure	ton	50	2,200	110,000	110,000											
2	Inorganic fertilizer NPK based	kg	800	115	92,000	92,000											
3	Crystalline fertilizers	kg	150	270	40,500					8,100	8,100	10,125	10,125	4,050			
4	Fungicides for winter spraying	kg	10	410	4,100	4,100											
5	Fungicide	kg	10	4,000	40,000	4,000	4,000	4,000	4,000	4,000	8,000	4,000	4,000	4,000			
6	Insekticide	kg	1.5	12,000	18,000				3,600	5,400	3,600		5,400				
7	20 kg reversible crates	crates	200	150	30000									30000			
8	Irrigation water (500 m3 / ha) for 5 times	m3	6000	5	30000					6000	6000	6000	6000	6000			
9	**Unforeseen**				12000				2000	2000	2000	2000	2000	2000			

TOTAL (C)				***376600***	***210,100***	***4000***	***4000***	***9600***	***25500***	***27700***	***22125***	***27525***	***46050***	***0***	***0***	***0***
TOTAL (sum A + B + C)				***1,129,600***	**253,600**	**119,800**	**48,400**	**39,600**	**90,900**	**100,600**	**80,625**	**80,325**	**204,750**	**93,000**	**9,000**	**9,000**
D. Other expenses																
Nr.	**Description**			**Total**	**J**	**F**	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**
1	Agrotechnical assistance			**25000**		5000		5000		5000		5000			5000	
2	Deprecation of apple orchard 4%			**32000**	32000											
3	Land tax			**8000**		8000										
TOTAL (D)				***65,000***	***32,000***	***13,000***	***0***	***5,000***	***0***	***5,000***		***5,000***			***5000***	
TOTAL (sum A + B + C + D)				***1,194,600***	**285,600**	**132,800**	**48,400**	**44,600**	**90,900**	**105,600**	**80,625**	**85,325**	**204,750**	**93,000**	**14,000**	**9,000**

Production cost (ALL/kg)	24
Selling price for quality 1-st	50
Selling price for quality 2-nd	35
Selling price for quality 3-rd	10
Income from sales of the 1-st apple's quality	1,750,000
Income from sales of the 3-rd apple's quality	350,000
Income from sales of the 2-nd apple's quality	50,000
TOTAL income (ALL)	2,150,000
PROFIT (ALL)	955,400

ANNEX 11 Technology Card – Apple Cultivation 1HA

TECHNOLOGY CARD - Orange cultivation 1Ha

1 ha with ORANGES in full production, to get 400 kv / ha production, with planting scheme 5x3 m (660 tree / ha). Mechanizations such as: plowing and soil preparation, spraying, transporting and planting are mechanized.

A. Expenses for labor work in ALL

Nr.	Work process	Man/Day	J	F	M	A	M	J	J	A	S	O	N	D
1	Agro technical cultivation expenses	152	12	40	16		17	13	13	11	10	20		
2	Harvesting and preparing the product for market	120											60	60
3	Unforeseen	22	1	1	1					1	1	1	7	9
4	***Total Man/day***	***294***	***13***	***41***	***17***	***0***	***17***	***13***	***13***	***12***	***11***	***21***	***67***	***69***
5	***Payment for Man/Day and Soc.Sec. Contribution***	***1500***	***1500***	***1500***	***1500***	***0***	***1500***	***1500***	***1500***	***1500***	***1500***	***1500***	***1500***	***1500***
TOTAL (A). Expenses for labor work in ALL		***441,000***	***19,500***	***61,500***	***25,500***	***0***	***25,500***	***19,500***	***19,500***	***18,000***	***16,500***	***31,500***	***100,500***	***103,500***

B. Expenses for mechanization

Nr.	Work process	Unit	Volume	Value per unit	Total	J	F	M	A	M	J	J	A	S	O	N	D
1	Transport of pesticide, chemicals and production	ton	64	500	32000		8000	3750		100	150					10000	10000
2	Ploughing between rows 3 times	dyn	30	1200	36000		12000				12000				12000		

3	Milling between rows 5 times	dyn	50	1200	60000			8000	4000	4000	8000	8000			8000		
4	Drainage line opening with plough	dyn	10	1200	12000										1200		
5	Irrigation line opening	dyn	10	300	3000						3000						
6	Spraying with tractor-pumps 7 times	dyn	70	1200	84000			12000		12000			12000	24000	24000		
7	Unforeseen				9000	3000										3000	3000
Total (B)					***205,200***	***3,000***	***20,000***	***23,750***	***4,000***	***16,100***	***23,150***	***8,000***	***12,000***	***24,000***	***45,200***	***13,000***	***13,000***

C. Expenses for materials

Nr.	Description	Unit	Volume	Value per unit	Total	J	F	M	A	M	J	J	A	S	O	N	D
1	Fungicides for 4 sprays	kg	3	4000	12000			3000						3000	6000		
2	Insecticides for 3 sprays	kg	2	6000	12000					4000			4000	4000			
3	Lines	kg	100	15	1500		1500										
4	Organic manure	kv	220	250	55000		55000										
5	Superphosphate	kv	5	3600	18000		18000										
6	Urea	kv	1	7000	7000		7000										
7	Potassic	kv	3	14000	42000		42000										
8	Nitrate	kv	3	6000	18000					18000							
9	20 kg reversible crates	crates	200	150	30000										30000		
10	Work tools	x	x	x	9000											4000	5000
11	Irrigation water (600 m3 / ha) for 5 times	m3	3000	5	15000						3000	6000	6000				
12	**Unforeseen**				10000				6000		2000	2000					

Total (C)				***229500***		***123500***	***3000***	***6000***	***22000***	***5000***	***8000***	***10000***	***7000***	***36000***	***4000***	***5000***
TOTAL (sum A + B + C)				***875,700***	**22,500**	**205,000**	**52,250**	**10,000**	**63,600**	**47,650**	**35,500**	**40,000**	**47,500**	**112,700**	**117,500**	**121,500**
D. Other expenses																
Nr.	**Description**			**Total**	**J**	**F**	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**
1	Agro technical assistance			**15000**		3000		3000		3000		3000			3000	
2	Deprecation of orange orchard 4%			**66000**	66000											
3	Land tax			**8000**		8000										
Total (D)				***89,000***	***66,000***	***11,000***	***0***	***3,000***	***0***	***3,000***		***3,000***			***3000***	
TOTAL (sum A + B + C + D)				***964,700***	**88,500**	**216,000**	**52,250**	**13,000**	**63,600**	**50,650**	**35,500**	**43,000**	**47,500**	**112,700**	**120,500**	**121,500**

Production cost (ALL/kg)	24
Selling price	50
Income from sales	2,000,000
TOTAL income (ALL)	2,000,000
PROFIT (ALL)	1,035,300

ANNEX 12 **Questionnaire "Domestic Production, Import substitution and Investment Promotion in Agroprocessing**

ANNEX 13 **Questionnaire "Domestic Production, Import substitution and Investment Promotion in Agroprocessing" – Supermarkets**

ANNEX 14 List of Licensees and Permits for Food Industry

1. The following list of licenses and permits is determined after having reviewed the current legislation into force in Albania and on the basis of official information provided by National Business Centre (NBC) as the main institution administering the list of licenses and permits provided to businesses at central level.

Applicable legislation:

A. *Law no.10081/2009 "'On Licensees, Authorizations and Permits in the Republic of Albania" (as amended)* provides for general categories of licenses issued to the business. Under the category of *food and health* the following licenses are listed:

(1) License Production of and/or trade in food-stuff
(2) License Reproduction, breeding or veterinary services
(3) License Raising of or trade in animals
(4) License Production of and/or trade in seeds and/or seedlings
(5) License Production of and/or trade in Plant Protection Products, chemical fertilizers, and/or tobacco
(6) products
(7) License Primary medical, hospital or dentistry services
(8) License Manufacturing of and/or trade in medicines for human or animal use
(9) License Other medical services and/or sanitary services

B. *CoM decision no. 538/2009 "On licenses and permits handled by or through NBC and several other common sub-legal regulations" (as amended),* provides for the subcategories of licenses and permits which either are issues by or through NBC, or by other institutions without the involvement of NBC and pursuant to the relevant sectorial legislation. The following as provided herein, is the list of licenses and permits for food industry which are issued by or through NBC:

(1) "Production, processing and wholesale distribution of food:
   - **"Production, processing and wholesale distribution of food for humans"**
   - **"Production, processing and wholesale distribution of animal feed used for food"**
   - "Production, processing and wholesale distribution of animal feed not used for food"

(2) "Wholesale of food of animal origin (for humans)"
(3) "Wholesale primary production", with code II.1.C.
(4) "Natural rearing and artificial insemination":
   - "Artificial insemination (artificial insemination stations / inseminators)"

(5) "Production and / or trade of racial material"
(6) "Veterinary Clinic", with code II.2.C.
(7) "Livestock breeding on large agro livestock farms (with over 50"cattle units")
(8) "Cultivation of aquatic animals on aquaculture farms"
(9) "Wholesale trade of live animals"
(10) "Production and trade of plant protection products (dangerous and high-risk products)"
   - "Production"

- "Wholesale trade"
- "Retail trade (agricultural pharmacy)"

(11) "Production and trade of hazardous chemical fertilizers"

- "Production"
- "Wholesale trade"
- "Retail trade"

(12) "Industrial processing and / or production of tobacco products"

2. Additionally, herein are included the main relevant rules and modalities for application and obtaining the respective license/permits, for which on case by case it is required the compliance with sectorial legislation. In the food industry the counterpart of businesses is the National Food Authority (NFA) which is the main institution at central level which approves or reject the application for license/permits through NBC.

The application, review and decision-making procedure for approving or rejecting the following applications made by the food business operators in NBC is under the competence of NFA. More concretely:

- "Production, processing and wholesale distribution of food for humans"
- "Production, processing and wholesale distribution of animal feed used for food"
- "Wholesale of food of animal origin (for humans)"

NFA is the responsible authority for verification of compliance with the licensing criteria. The NFA decision should be based on the evaluation of the submitted documents as well as the on-site inspection for the evaluation of compliance with mandatory technical-technological rules and standards and the hygienic-sanitary conditions. NFA responsible units have direct access to the NBC system while reviewing applications made by the business operators for the above-mentioned licenses. The steps for application review are the as following:

Step 1: The submission of the application for licensing by business operators is done in three ways in the NBC (electronically, by mail or by submitting the applicant directly at the NBC premises). NBC makes a preliminary review of the application.

Step 2: Publication in the electronic register of the application by the NBC for matters within the competence of the NFA.

Step 3: Download from the electronic register of the complete documents supporting the application and send it electronically to NFA regional directorate office where the receipt of documents is immediately confirmed.

Step 4: The procedure of review, inspection and decision-making for the approval or rejection of the application is done by the respective NFA regional directorate office. In cases when the review and decision-making procedure for the approval or not of the license application is carried out in cooperation with the General Directorate, this is determined only by Order of the General Director of NFA.

Step 5: In cases of approval the license is retrieved by the business in NBC premises. The above-mentioned licenses are valid for an undetermined period, while the overall cost of service is 100 ALL payable in NBC.

ANNEX 15 List of Incentives for Agriculture and Agroprocessing

In this Annex are listed the main direct incentives and support measures with regard to agriculture/agro-processing sectors:

(1) *Exempted VAT for agricultural inputs and machinery*

This incentive part of fiscal package 2019 was implemented via amendment of law 92/2015 "On VAT"[56], provided that supply of agricultural machineries and supply of agricultural inputs such as chemical fertilizers, pesticides, seeds and seedlings, except hormones , listed and defined via CoM Decisions are exempted from VAT.

(2) *Introduction of the above mentioned incentive with 2019 fiscal package was followed by the reduction of the VAT rate to farmers registered with VAT from 20% to 6%. Such reduction created a lot of complaints and discussions mainly from the collectors which evidently benefited more from the implementation of 20% VAT compensation rate.*

It is worthy to mention that in 2014, the Government introduced via a specific instruction[57] the VAT acknowledgment for compensation purposes of the agricultural products by 20% compared to the previous 6% for agricultural producers and collectors, by defining in detail the way of functioning of the respective scheme and by creating uniformity in the application of VAT. The new instruction by that time was considered by government, farmers and collectors as an opportunity to create new, formal and safe markets for the farmers by providing them with NUIS and a compensation of 20%. The previous schemes aimed at providing support to the farmers by providing only 6% of reimbursement, but on the other hand that incurred additional costs for the collectors, for whom it was impossible to charge (except to the final customer) with the difference of 14% between the VAT in the purchase and the sale of the product. This incentive and its expectations were subject of analysis by the Secretariat and discussions in the IC Meeting No.6.

According to collectors the scheme is not any more attractive following 2019 amendment, while according to government, 2014th measure benefits were not transferred as such to farmers, but were mainly the collectors that benefited from 20% VAT compensated rate.

(3) Starting from 2021, the GoA will remove the excise, carbon and road tax from the final price of fuel needed to farmers to cultivate the farm land. Such measure is thought to boost further the formalization of farmers registered with NUIS, will reduce the costs of the primary products which potentially would be more competitive in the region. The scheme of support will be introduced via an electronic solution which would potentially avoid any fraud with the scheme.

(4) *AZHBR national and IPARD schemes with grants with several measures:*

A. National Schemes of Support:

Measure 1: Matriculated base bunch
Measure 2: Apiculture
Measure 3: Funding for thermal plastic replacement
Measure 4: Planting of medicinal and aromatic plants
Measure 5: Support for organic farms
Measure 6: Global Gap certification
Measure 7: Investments in agro-tourism

B. IPARD Program:
The IPARD program is financial support for agriculture and rural development from EU funds (75%) and the Albanian government (25%).

[56] *Amended with Law no. 96/2018, dated 03.12.2018*
[57] *Instruction of MFE No. 19 dated 03.11.2014 "For the Implementation of the Special Regime for the Compensation Scheme of the Agricultural Producers for Value Added Tax Purposes".*

ANNEX 16 Investing Procedures in Agroprocessing

PROCEDURAT PËR INVESTIM NË AGROPI