Albania´s challenges of implementation of Agri-Environmental Policies in the framework of EU Accession

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Introduction

Integration into the European Union (EU) is considered a major political and economic goal for Albania, as it represents major opportunitiesfor democratisation and economic development of the country. Thus, Albania has undertaken numerous legal and policy reforms in all sectors, including agriculture.

The agricultural and rural development policy is especially of multi-dimensional importance for Albania, given that agriculture contributes around 20% of the country's GDP and it employs nearly half of the country´s workforce. Furthermore, the economic and financial opportunities that EU provides through accessing of the single market and the instruments of Common Agricultural Policy (CAP) are additional incentives to progress towards EU integration. Nevertheless, by just formally aligning the legal and policy frameworkwith EU requirements may not be sufficient to access the benefits of the single market and of CAP´s different financial instruments.

Albania, itself, needs to prepare a viable farming sector that is able to withstand competitive pressures in the single market after joining the EU and that can promote rural development and converge with EU standards related to food security and natural resources management. This means that policy, structural and market reforms should be guided by the contextual features of the country´s agricultural sector and capacities to implement them in the field. These issues will be discussedin more detail in the subsequent policy papers.

The first paper *Albanian agricultural policy development and compliance with EU Common Agriculture Policy*presents a synthesis of the policy strategic documents in the recent decade and the key developments in in supporting agriculturein Albania, including assessment of gaps in the policy implementation and the one stated at the strategic documents. The paper provides recommendations on policy improvements to assess their compliance with the EU accession requirements. Albania has been making efforts to reform its agriculture and rural development policy in the framework of the European integration process and its commitment to follow the Agenda 2030. Since 2014, when its candidate status was awarded, the agriculture and rural development policy has undergone continuous adjustments in terms of institutional and policy compliance with EU Common Agriculture Policy.

Meanwhile, the second paper *Agriculture development and smallholder farms in Albania* will focus on the structural challenges the agricultural sector faces in Albania. During the past 60 years, Albania´s agricultural sector has been characterised by two completely different and opposing farm structures; from 1960s until 1991, agricultural activities were carried out by large agricultural cooperatives and state farms which operated thousands of hectares, whereas after 1991, they are carried out by numerous small family farms derived from the land reform of 1991 (Law 7501). The land reform that consisted in an equal land distributed to the rural population brought about a large number of small and fragmented farms which hampered the growth and competitiveness of agriculture. Even today, Albania´s agricultural sector is still dominated by small farms. Therefore, it is important and relevant – in line with EU integration ambitions – to analyse the current situation of the agriculture sector and its main development trends, with a

special focus on small family farms (smallholders). Naturally, the agriculture sector in general, and smallholders specifically, need well-designed technical and financial support to cope with growing competition, in the context of continuous trade liberalization and EU integration. While the financial and institutional support are vital to increase the competitiveness of agriculture in general and farms in particular, they often work against the environment. For this reason, financial instruments may need to be accompanied with policies that encourage good agricultural practices and environmentally-friendly practices.

One key challenge that the agricultural sector faces related to environmental consequencesand that should be properly addressed is water management, which is also the focus of the third paper, *Albania´s challenges to implementation of EU´s Water Framework Directive*. The current institutional framework has embraced Integrated Water Resource Management principles; a policy driven mostly by the requirements of the integration processes into the European Union, namely the Water Framework Directive. Although the overall formal alignment of the institutional framework with EU's Water Framework Directive has progressed quickly, the practical implementation of these principles needs time to be evaluated. Currently, the water governance in Albania is highly fragmented with little convergence across the sectors. Also, investment decisions related to water are often made on the basis of single sector considerations and with almost no participation from main actors.

Albanian agricultural policy development and compliance with EU Common Agriculture Policy

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During the recent years, Albania is making efforts to reform its agriculture and rural development policy in the framework of the European integration process and its commitment to follow the Agenda 2030. The agricultural and rural development policy is of multi-dimensional importance for Albania. It needs to prepare a viable farming sector that is able to withstand competitive pressures in the single market after joining the EU and that can promote rural development and converge with EU standards related to food security and natural resources management. Thus, the emerging political set-up requires a new vision for policymaking, reformed institutional framework as well as a new approach in designing supportive measures for the agricultural sector.

Since 2014, when its candidate status was awarded, the agriculture and rural development policy has undergone continuous adjustments in terms of institutional and policy compliance with EU Common Agriculture Policy. At the end of 2014, Albania established a new strategic framework for the future development of agriculture and rural areas (The Inter-sectorial Strategy for Agriculture and Rural Development (ISARD) 2014–2020).

This paper presents a synthesis of the policy strategic documents in the recent decade and the key developments in in supporting agriculturein Albania. We provide conclusions and recommendations on policy improvements to assess their compliance with the EU accession requirements.

In order to address these issues, the analysis is primarily based on the review of the formal policy documents, the legal acts and research papers dealing with the topic. Special attention is also paid to examining the relation between the stated policy measures and the de facto implementation in terms of executed budgetary transfers in Albania. Key official documents were used to explore such gaps (e.g. the National Strategy for Development and Integration 2014-2020 (GoA 2016), the Government of Albania Programme for 2013-2017, the Inter-sector Strategy for Agriculture and Rural Development (ISARD) 2014-2020 (MARDWA 2014a), the Action Plan for ISARD 2014-2020 (MARDWA 2014b), reports prepared by the Government of Albania for the Council of Ministers Departments for Monitoring of Legislation and Programs (MARDWA 2016b) and other relevant documents.

[1]Acknowledgments: I would like to express my deepest appreciation to all those who provided me the possibility to complete this policy analysis. A special thank go to staff of Ministry of Agriculture and Rural Development for sharing the information and providing necessary documents for the study. This paper is partially based on the work carried under the framework of Regional Rural Development Standing Working Group in South Eastern Europe which is made public during the recent years under the following research publications: Zhllima et al (2014), Zhllima and Gjeci (2016) and Zhllima and Gjeci (2018) as well as diffusing activities.

The analysis also extends to secondary data on the budgetary support measures, aid programs and other policy interventions. The analytical assessment of the agriculture support in Albania is based on a comparative approach using the Agriculture Policy Measures (APM) template. The APM classification uses the EU concept of policy classification combined with the Organisation for Economic Co-operation and Development (OECD) methodology (OECD, 2008). The APM classification is built on a hierarchical principle, with the first level defining the pillar of agricultural policy, the second level defining the policy category and each subsequent level split into a set of sub-categories following the OECD methodology(Rednak and Volk. 2010). According to the APM classification, the specific agricultural policy measures are grouped into three main pillars: (i) market and direct producer support measures; (ii) structural and rural development measures; and (iii) general measures related to agriculture.

This paper is based on the research carried out during the period 2014-2018 in the framework of the cooperation with academicians supported by the Regional Rural Development Standing Working Group in South Eastern Europe. The paper is composed of three main sections. The first section provides a comparative review of the strategies and programming documents of the agricultural policy in Albania giving an overview of the agricultural policy development for the period 2010-2017. The second section analyses the main gaps and discrepancies of the agricultural policy implementation and assesses the compliance with the CAP requirements. The last part provides the concluding remarks and policy recommendations.

The strategic framework of the national agricultural policy

Programming policy background

The agricultural and rural development policies are redefined based on Government's Program 2017-2021, having its focus onon rural "renaissance". The reviewed National Strategy for Development and Integration (NSDI II) 2015-2020, supports the sustainable socio-economic development of Albania and the EU integration process by reasserting the vision of Intersectoral Strategy for Agriculture and Rural Development (ISARD) 2014-2020. Other key strategic documents guiding the development agenda and integration processes are the National Programme for European Integration (NPEI) and the Action Plan for the alignment toward Agenda 2030 of Sustainable Development Goals (SDGs) (Zhllima, 2018). The NPEI is primarily focused on setting forward the activities and measures that need to be taken in order to approximate and harmonize the national legal with the EU legislation, whereas the SDGs are the key goals for sustainable development set forward by UN and need to be met by 2030. Albania is making great efforts to adopt this Agenda its main reference for development policies and programs at national level.

In the framework of EU alignment policies, Albania has continued to implement the Stabilization and Association Agreement and the meetings of the joint bodies as set forth in the agreement have been taking place regularly. The Commission recommended the opening of accession negotiations first in November 2016, and its last positive recommendation was on

17ths of April 2018. Albania's integration processes towards EU membership have progressed considerably and it is expected to open the formal accession negotiations with EU within 2019. Regarding the IPARD pre-accession programme, the IPARD II was launched in November 2018.

The IPARD II Programme is part of the financial support by the European Union in the form of Grants and it's worth a total of 71 million Euros for the period 2014-2020, distributed across the years. According to the Sectoral Agreement, the Albanian Government is obliged to support the beneficiaries from rural areas, farmers and businesses alike.

The vision of Agriculture policy is detailed through ISARD 2014-2020 which is elaborated 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 it targets the improvement of competitiveness, harmonization of policies and institutional settings with the EU acquis, the sustainable use of natural resources and social inclusion of the rural population. ISARD provides interventions in three policy areas: i) rural development policy; ii) national support schemes for farmers, development of rural infrastructure, and ensuring equal opportunities; and iii) institutional development, implementation and enforcement of EU regulatory requirements.

Various policy priorities, which are outlined in ISARD 2014-2020, are under continuous review in terms of the date of entering into force and of their implementation strategy. Some of the priorities are partly or fully accomplished and they were left for implementation in 2016-2018 (e.g. the introduction of the support measures on production diversification through IPARD) and other measures were postponed due to unmet institutional conditions (e.g. the design of the food quality policies such as through geographic indication).

In March 2018 the MARD announced the priorities for the mandate 2018-2021. The priorities of MARD are the following: i) Reliable statistical data in order to design policies ii) a state subsidy schemes with priorities toward value chain support on products that has the potentials to be exported, the collaboration for creating large farms (of over five hectares) and the collecting and processing units to guarantee farmer‘s production iii) certification of high quality products iv) consolidation of the agricultural land and registration of the ownership v) increase of finance access for farmers and agricultural companies vi) de-concentration of extension services vii) food security through traceability viii) market orientation of fishery sector ix) design of integrated Rural Development Program with other ministries and municipalities.

In the framework of these priorities, MARD has launched since the beginning of 2018 the Integrated Programme for Rural Development (2018-2020) - 100 Villages which aims at coordinating and implementing a more integrated development intervention in rural areas (in 100 villages). The main objective of this programme is a) to improve public infrastructure, b) the economic development through diversification of economic activities, and c) the development of social and human capital.

Other key strategic documents include: i) the Albanian National Land Consolidation Strategy approved by the Decision of the Council of Ministers No.700 date 12.10.2016 ii) the draft strategy for Irrigation and Drainage 2018-2030 iii) the draft Law on Local Action Groups

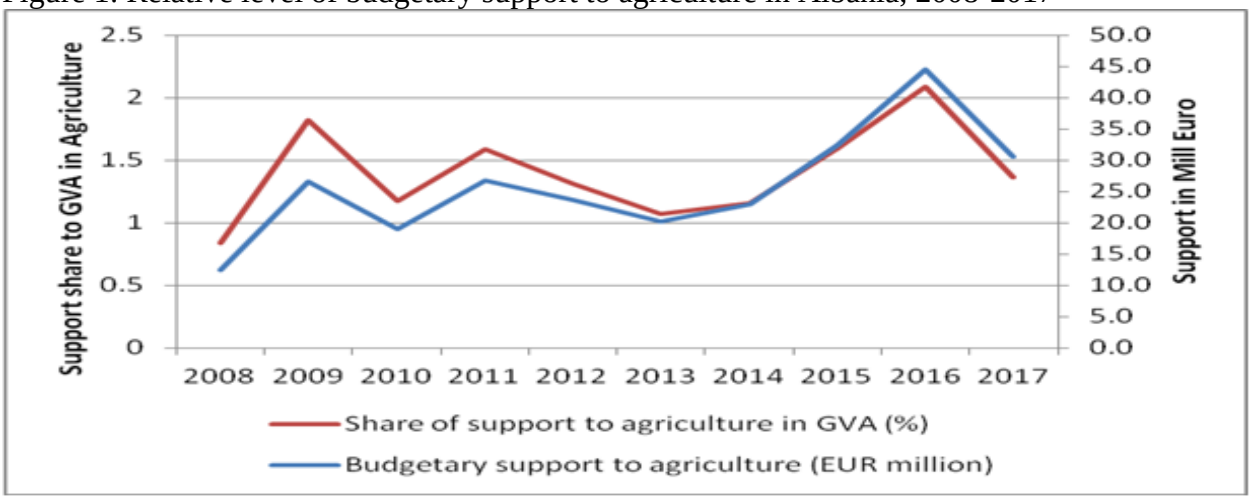
which is expected to be promoted under LEADER like programs. These strategic documents are under continuous review and they are strongly related to the other Ministries' work programs.
Other programs are provided by bilateral and multilateral donors. According to DSA (2016) the three main groups of projects and facilities for the agrifood sector can be broadly defined as follows (according to DSA, 2016) as following:

- Projects and programs on the capacity-building of institutions, the harmonization of legal frameworks and institutions with the EU acquis, and the improvement of the business environment mainly implemented by European Commission and United Nations Agencies. Projects dealing with the development of value chains. Traditionally, there are few relatively large projects of this category (EUR 1 million or more) which are under closure (i.e. DANIDA and GIZ Program under SARED).
- Integrated projects dealing with the management of natural resources. These projects are typically medium- and large-sized (mainly designed and financed by the World Bank Group Environmental Services Project; and the Water Resources and Irrigation Project. The focus of these projects is the natural resource (so far, water and forestry) and all aspects of the sustainable management of all those resources, from regulatory frameworks to institution reforms and strengthening the development of users' associations and environment-conscious entrepreneurship.
- Projects dealing with the development of services to agribusiness and associations. These projects are focusing on the development of advisory and technical services to different sectors, including agribusiness, as well as on developing small and medium enterprise innovation clusters (such as RISI Albania from the Swiss Helvetas). Other projects operates as a tool to facilitate access to the different types of available incentives (i.e. the European Bank for Reconstruction and Development's Business Advisory Services, EBRD credit line, etc).
- Albanian components of regional projects. There are many regional or cross-border facilities that also have activities in Albania (such as EC/CBC, Adriatic programmes, REC, FAO regional programmes, SWG and much more).

Budgetary support to agriculture

During the period 2008-2017, the budgetary support for agriculture has been fluctuating, yet with an increasing trend. During a decade the average support value has reached EUR 25 Million or 1.4% of the GVA. In 2017, the overall budgetary support amounted to EUR 30.6 Million (Figure 1). Budgetary figures are modest (less than 2 % of the agriculture gross value added) when compared to the agriculture GVA (which in the recent three years remains slightly higher than 22 %) (seeAgricultural statistics database - Albania 2018). The support is very low, in terms of funding per farm (EUR 87 per farm) or per Ha of UAA (approximately EUR 25 per ha), if compared to both the EU and the other Western Balkans (no country less than 60 Euro per Ha of UAA).

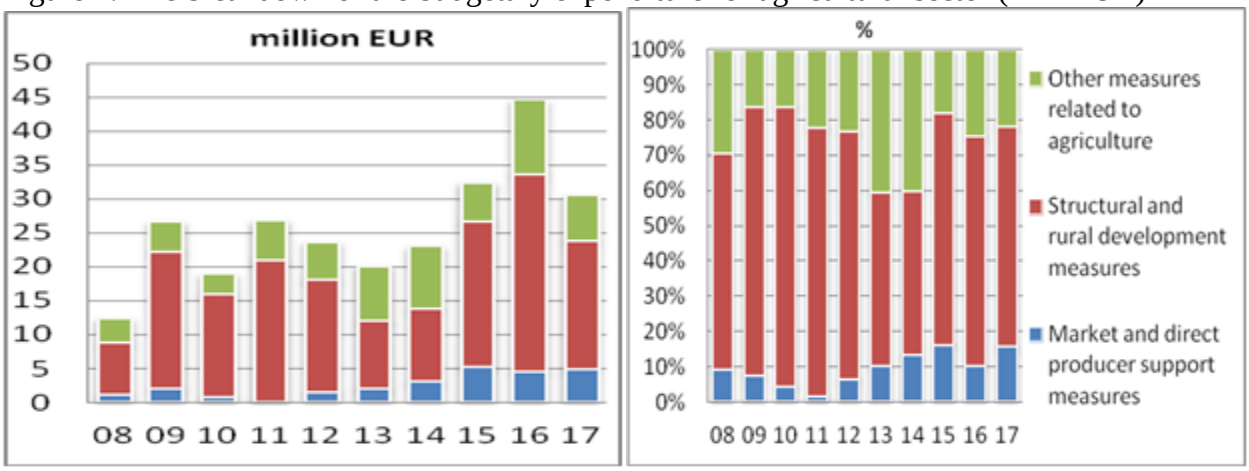
Figure 1: Relative level of budgetary support to agriculture in Albania, 2008-2017



Source: APM database - Albania 2018; Agricultural statistics database - Albania 2018

Approximately 40% of the support is allocated for single commodities and more than 60% of the funding is provided by the national financial resources. The share is expected to increase with the implementation of the EU funding through IPARD II programming. In terms of budgetary composition the "Structural and rural development measures" (second pillar) is the most important category of support. Differently from other Western Balkans countries, the "Market and Direct producer support", is the lowest in terms of importance to budgetary disbursement (Zhllima and Gjeci, 2016).

Figure 2: The breakdown of the budgetary expenditure for agricultural sector (Mill EUR)



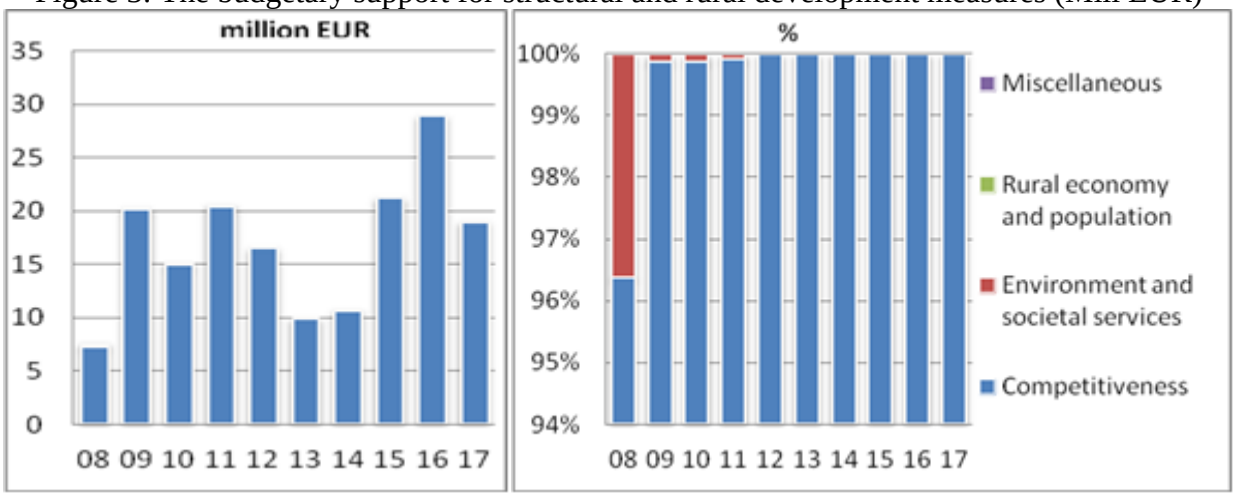
Source: Zhllima and Gjeci, 2018

The share of the "Structural and rural development measures" (second pillar increased to more than EUR 20 million in the recent years with its peak in 2016 (Figure 3). The entire funding for structural and rural development measures was focused on improving the competitiveness of the agro-food sector, leaving no room for environmental and societal benefits, supporting rural

economy and population or any other miscellaneous rural development measures. The weak institutional structure and lobbying has not made the design of these type of measures possible, although it is highly required by CAP.

Less funding from the competitiveness support is going toward on-farm investments measure. MARD is reducing the share of funding provided for plantations of the permanent crops (such as olives) as it has previously done during 2007-2012. The investments made in the past in the productive structures are generating interest toward efficiency investment namely those in technological improvement of water used, planting of medicinal herbs, expansion of greenhouses, and modernization of farms (new equipment, production lines and premises)[2]. The second group of investments has eroded in terms of absorption, although they are highly demanded for developing the upper part of the value chains.

Figure 3: The budgetary support for structural and rural development measures (Mill EUR)

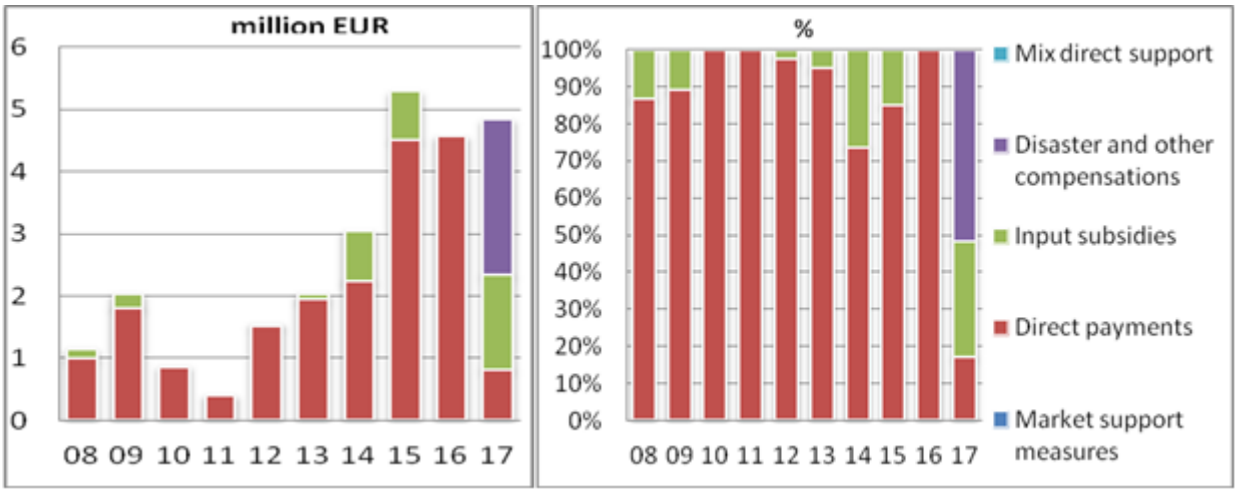


Source: Zhllima and Gjeci 2018

As emphasized before, the direct producer support was relatively modest and showing a slowing pattern in Albania during 2015-2017 (Figure 3). In 2017, due to the lack of disbursement, the direct payments reduced in terms of importance to overall Market and Direct support (nearly 20%). Both the input subsides (focusing only on olive pest fly control) and the disasters payments amounted to more than 80% of the Direct Support measures in 2017. This input subsidies have always been very modest in the recent decade, due to fear of the policy-makers for fund use distortions.

[2] For instance, the key sub measures in terms of disbursement during the year 2016 (considered a booming year in terms of funding) were those related to support the collection, processing and storage equipments, facilities and premises which absorbed more than 50% of the grant disbursed, followed by the direct support provided per animal head (34%) and the financing of the credit interests (20%).

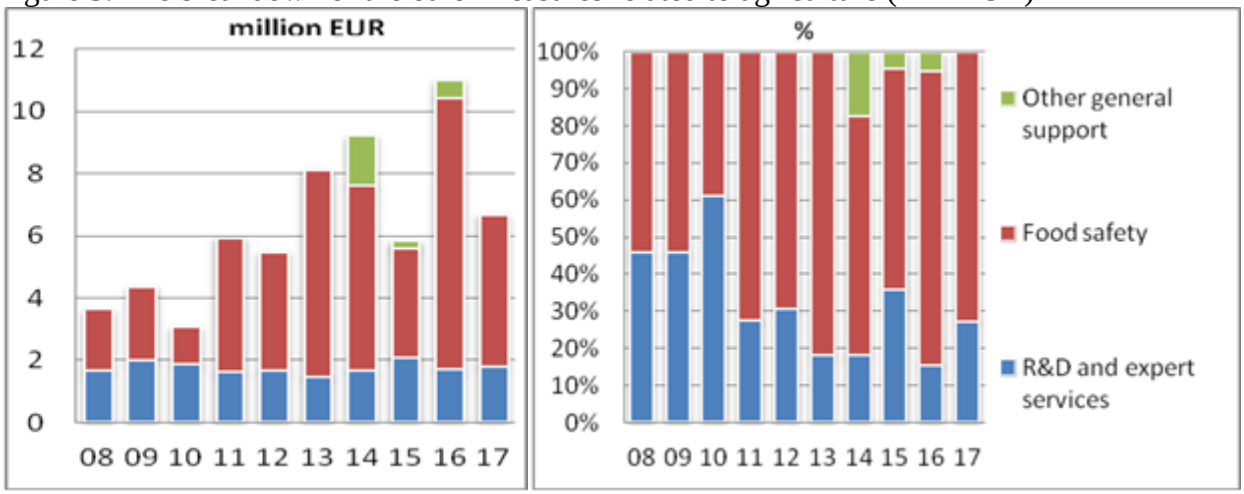
Figure 4: The budgetary support for market and direct producer support measures, 2008-2017 (Mill EUR)



Source: Zhllima and Gjeci, 2018

The "other measures related to agriculture" so called the third pillar increased in share during the year 2014 mainly due to a disbursement of donors' projects. This pillar retains the second share of the total support in the recent years, with more than 18% of the total support (with a peak in 2016 or a value of EUR 11 million). The amount to this pillar doubled if compared to the year 2008. The support toward food safety and quality control absorbed the largest share of funding (it has been a high priority of the donor's assistance mainly through IPA funding). The second subgroup of this measure, namely the research, development, advisory and expert services has remained stationary at EUR 2 Million.

Figure 5: The breakdown of the other measures related to agriculture (Mill EUR)



Source: APM database - Albania 2018

Overall, the agricultural support has increased in Albania over the period 2010-2015 and converged with what the government targeted in its programming documents for the period 2014-2020. Furthermore, MARD foresees reducing the contribution of the national budget for

the agricultural support and replaces it with EU IPARD funds which will be granted primarily for the improvement of the competitiveness of the agricultural sector and the production diversification in rural areas.

The policy implementation gaps and accessibility of small farmers

Policy implementation

The legal framework[3] for programming of the agriculture policy regulates also the programming of policy measures related to agriculture and rural development. The institutional base for the design of the national support scheme is based on the priorities defined in the annual action plan while budgeting is based on the MARD budgeting program and the revisions made in the framework of the annual budgeting programme.

In terms of institutional structure, the policy/scheme design is led by the management authority for IPARD, within the Ministry, whereas the Agriculture Rural Development Agency implements the supporting schemes. The agriculture policies are designed by the inter-institutional working group chaired by MARD, and with the involvement of representatives of the Ministry of Finance and Economy (MoFE), Albanian Rural Development Agency (ARDA as well as the Strategic Business Investment Support Unit of the Prime Minister's Office.

The de facto implementation of the programming policy reveals specific gaps between planning and formulation and their implementation, in both the policy in both the policy design and the agriculture support. The discrepancies between policy formulation and policy implementation is due to incoherent policy formulation between ISARD 2014-2020, IPARD II and the yearly action plans. Despite the commitment of MARDWA to achieve alignment of the national agricultural policy with CAP, there are various legal constraints that hamper the introduction of the CAP-like schemes as scheduled in the strategic documents. In terms of financing, the medium-term plans of the budgetary support for agriculture and rural development in Albania are defined in ISARD 2014-2020. If comparing the planned support in ISARD 2014-2020 with its actual implementation, we observe no significant disparities for the support measures (in minor cases, fund reallocation is executed).

A content analysis made by Zhllima and Gjeci (2018) found that during the period 2014-2016 the support for strengthening collective actions among farmers and other stakeholders, land consolidation, improvement of the quality of agricultural products, enhancement of the agro-environment and climate and of organic farming are some of the measures that have not yet been accomplished or they are planned to be introduced. The preparation and introduction of the legal framework necessary for the implementation of these measures (e.g. the law on organic farming, the common market organisations' legal base, the law on cooperatives, the land consolidation

[3]Law No.9817, date 22.10.2007 "For Agriculture and Rural Development", Law No. 109/2017, "For the budget of year 2018" and DCM No.72, Date 7.2.2018 "For the defining of the base criteria for sectors to be supported and measures of financing from the Fund for The Agriculture and Rural Development Program".

law, etc.) is constrained by the financial and institutional capacity limitations of the public administration.

A second group of measures related to the support of advisory services and to the preparation and implementation of local rural development strategies using the LEADER approach were subject to change and postponement as a result of the new territorial reform that has been implemented in Albania. In the very recent year there has been progress, at least in terms of legal revisions. Interviews with experts reveal that the frequency of changes in the public administration at local and national level, among other things, has stopped the reform of the veterinary services, advisory services, water and irrigation management and land and forestry management.

Additional shortcomings are revealed in terms of agriculture policy measures. The recent three years were accompanied with altering support policies (emphasised in 2018) and inconsistencies with regards to policy implementation (emphasised in 2016 and 2017). The year 2018 had a large number of measures (52 sub measures) compared to the reduced number in years 2016-2017 (19 measures). The high number of measures brings two constrains: i) high administrative costs for planning, implementing and monitoring and, ii) low absorption rate if planned with no ex-ante evaluation instruments for estimating the success and coverage of the sub-measures or ex-post studies for assessing the impact of the support[4]. iii) Inconsistence in disbursement policies for milk premium, headage payments and other price support measures which brought a sharp reduction of fund transfers (30% less) and beneficiaries (80% less).

Due to weak institutional reforms (incomplete farm register, not available Land Parcel Identification System (LPIS), and Integrated Administration and Control System (IACS) compliance with EU CAP policies is still not achieved) there are not yet available direct payments based on cross-compliance rules (related to safety and quality), decupled support, solid organic farming support, protection of landscapes, valuable natural habitats, and biodiversity and/or promotion of appropriate agriculture practices is yet not available.

Smallholders access to programming

The average small farm sizes, combined with the excessive land fragmentation, the low level of land-related investments, erosion, degradation, and the loss of agriculture land due to land alteration, all have been major structural challenge for the agriculture sector in Albania. According to the Census of Agricultural Holdings in 2012, the 98.2 % of the 303,802 agricultural holdings in Albania are small family farms. Despite this vast majority of smallholders, there is no evaluation on how far the national support schemes are formulated to adress the constraints faced by the small farmers. There are no figures about the dimensions of the beneficiaries' farms; therefore, it is impossible to evaluate how far the scheme is oriented towards small farmers. This

[4] For instance, during 2016-2017, some of the 19 submeasures were not covering more than 1% of the overall budgetary value while some others are not even used. In 2016 and 2017 a part of the submeasures(respectively 6 and 4 out of a total of 17) have less than 15 beneficiaries (Zhllima and Gjeci, 2017).

section aims to evaluate the policy inclusion based on the criteria and targets stated in the documents of the national schemes[5]:

1. Minimal size: The minimal limits for support in some measures, particularly the area based or headagepayments, are friendly to the current structure of the farms. The average plots area in Albania is 0.25 ha. Support is given for plantations of fruit, medicinal and aromatic plants of at least 0.2 ha. Animal support is more restrictive but still the minimum eligibility limits are maintained at relatively low levels, such as 10 head of cattle and 50 head of small ruminants. In 2016 and 2017, attention is given to the upgrading of olive groves and investments in drip irrigation of olive groves, vineyards and citrus plantations with a lower limit of 0.5 ha.
2. Type of crops and animals raised: During the early 2010 the focus was on expanding the areas cultivated with olive and fruit trees. It was a proper choice for farmers cultivating their land in mountainous and hilly areas of South-west and central Albania (olive groves) as well as South and North-east (apple and plum and later nuts). Headage payments toward cattle and small ruminants are also domain of the small farmers in remote areas of the country. Small farming was also supported through milk and olive oil price premium (which ended in 2015), investments in beehives and in price premia for harvesting and delivery of fruits, nuts and pomegranates (which ended in 2014). Moreover, during 2013 and 2017, the national support scheme provided support for farmers' groups registered as Agriculture Cooperation Associations, offering them the possibility of partial co-financing of investments.
3. Ability to apply: There are no estimates with regards to the ease of small farms' access to the national support scheme. Payment for planting olive groves, protection of olives from olive fly, cultivation of medicinal and aromatic plants, and payments for farms breeding more than 100 registered sheep/goats were the measures with the greatest number of beneficiaries, which can be a proxy for determining the schemes that have been easier to apply for[6]. It is known that access to IPARD is very demanding for small farms due to the standards and documentation required. Therefore, only a modest proportion of the potential applicants become beneficiaries in this program.
4. Specific programs: During these years the Support to Agriculture and Rural Economic Development (SARED) programme was implemented for small farms, allocated in six mountain regions of the country. The programme, financed by GIZ and Danish Cooperation, provided support to selected value chains based on capacity building assistance and grants to

[5] DCM No.978 Date 04.12.2015, DCM. 91 Date 10.02.2016, DCM No.137, Date 22.02.2017, DCM No.72 Date.07.02.2018

[6] During the year 2017 the payment for beehives and the direct payment for vegetables delivered at collection centres have been the most accessible sub measures (respectively 61% and 12% of the beneficiaries). These measures are followed by the support for fruit plantation and vineyard plantation (each covering more than 6% of the beneficiaries).The sub measures with the highest number of beneficiaries for 2016 are the direct support per animal in the small ruminant sector (slightly more than 65% of the beneficiaries), followed by the direct payment in beekeeping (approximately 13% of the beneficiaries) as well as payment per kg or per litre of milk delivered on collection centres (together 9% of the beneficiaries).

small farms. The program ends in 2018 and no specific support schemes are yet in place for the diversification of economic activities, improvement of socio-economic conditions, quality of life and the creation of employment opportunities in rural areas. Integrated Programme for Rural Development-100 Villages is expected to bring more integrated development intervention in rural areas. Part of the national support policies are the identification of 100 villages across Albania with development potential in authentic production and the measures for the promotion and support of products and services.

5. Capacity building and information: The status quo in the extension service structure and the eroded investments in information systems has reduced the extension service coverage and the transfer of knowledge. The de-concentration reform has reshuffled the structure of the advisory services, creating also new units of information. However, even considering a full institutional commitment in place, the process will require time and financial costs before affecting the production structures.

Another important element is the perception of beneficiaries (small farmers). There has been no ex-post study toward national support schemes. However few studies in the recent years identified deterioration of the beneficiaries perceptions. Comparison of studies over time has revealed negative trends on farmers' ability to meet the requirements (see Gecaj et al, 2015) or farmers perception of transparency (Imami et al, 2017).

Conclusions and recommendations

In the context of the efforts made for EU integrations, the Government of Albania, currently an EU Candidate country, is challenged to establish the necessary institutional and structural changes, in order to comply with the EU integration requirements. The Government has adopted the legal base, the institutional structure and a part of policy documents in accordance with EU programming requirements. However, despite the fact that the legal framework of the agriculture policy is relatively well established, the policy implementation still remains subject to delays and shifts from the stated scenario.

The implementation of the programming policy showed no gaps between planned and de-facto financing disbursement along the years (exception the 2017 halt on milk price premium and headage payments). However, specific discrepancies and incoherence are found between the policy implementation and the one stated at the strategic documents (i.e. ISARD Action Plan). Support for strengthening advisory services, land consolidation, enhancement of the agro-environment and climate and of organic farming lag behind due to partial adoption of the legal framework necessary for the implementation of these measures (e.g. the law on organic farming, common market organisations' legal base, law on cooperatives, land consolidation law, etc.) or scarce financial and institutional capacity of the public administration.

During the period 2012-2017, the budgetary support to agriculture has been unstable, but with an increasing trend. In 2017, the overall budgetary support amounted to EUR 30.6 Million, a bit higher compared to the average of the 10 years (circa EUR 25 Million). Figures are yet modest when compared to the agriculture GVA (less than 2% or less than 100 Euro per Ha of

UAA). The share of the structural and rural development measures remain the most important (more than 60% in the recent three years with focus on improving the competitiveness of the agro-food sector) while other pillars (general measures related to agriculture as well as market and direct producer support were of second importance).

Although the pillars budgetary shares have been consistent in time, the number of submeasures and the type has changed continuously, undermining the farmer's predictability. Number of sub-measures has increased and in a part of them risk to perform negatively as it happened in 2016 and 2017 (low or zero absorption for a part of measures). Support to capacity building in advisory services and information systems is necessary to improve absorption capacities of national funds, as well as upcoming IPARD II funds. Monitoring and evaluation through a policy analysis unit is crucial for achieving an agriculture and rural development policy based on evidences.

In 2017 the budgetary support measures have been subject of changes in terms of long term objectives and numbers of measures. The structural changes happening to agriculture has urged for more support to market orientation, farm consolidation and value chain integration. However, further addressing of the safety and quality problems, value chain deficiencies and fragmentation would require use of cross-compliance in the agriculture support schemes. Moreover, impact assessment studies are to be done systematically on ad-hoc basis with independent monitoring bodies.

IPARD II is expected to provide spillover effects in expanding support to diversification of rural economy. In case of successful application of Government of Albania, IPARD is expected to provide additional support measures planned in the later stage (measures consisting in Agro-Environmental Measures, LEADER (Local Action Groups), Extension Service Measures). The provision of CAP Like measures (in near future of area and animal payments and in long future introduction of decoupled payments) is put on risk from the absence of IACS, (LPIS), farm register, etc. The attention to policy interventions for improving these components is challenged by limited financial resources, continual change of administrative structure and human resources. The coordination of assistance provided by the international donor (mainly IPA funding) toward increasing access of farmers on funding, reducing farmers illiteracy and increasing their knowledge on technology is of immense help in order to keep the momentum for speeding up the necessary institutional reforms.

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Agriculture development and smallholders in Albania

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Agriculture and food production play an important role in the Albanian economy. The sector generates about 1/5 of the GDP (Table 1) and it has been also one of the main employing sectors. Agriculture is the main source of (self) employment in the rural areas and one of the main sources of income for rural households. The land reform implemented in the early 1990s, in which state agricultural land was equally distributed to the rural population, resulted in small and fragmented farms that hampered the growth and competitiveness of agriculture. The agriculture sector is still dominated by small and family farms. Small size of the farm (average ca 1.2 Ha) combined with fragmentation (e.g. 3 or more parcels per farm) is one of the major challenges of the agriculture sector. About 2 percent of the agricultural holdings/farms in Albania are family holdings. While, based on the structural analysis, small farms are considered those that have h up to 2 ha and they make up 86 percent of the farm population (Imami, 2018). Thus, it may be concluded that the agriculture sector is dominated by small and family farms in Albania.

The aim of this paper is to analyse the current situation of the agriculture sector in Albania and its main development trend, with a special focus on small family farms (smallholders). We also provide recommendations, mainly at the policy level, on how to further support the development of commercial family farms and at the same time ensure an overall inclusive growth.

The research methodology combines both, desk research and interviews with key stakeholders[7]. The desk research provides an assessment of the available policy documents, studies, papers and reports. The field research consists of interviews conducted with key informed stakeholders/experts. The interviews target various stakeholders and they were streamlined to the individual interviewee or group of interviewees, depending on the findings from the desk research phase.

For various issues or indicators, the analysis was based on secondary data (including macroeconomic and structural data). We face major constrain regarding data availability or up-to-date statistics for some indicators. For example, statistics are not reported specifically by category of farms (e.g. family or small farms) in terms of their contribution to the economy, but we can still analyse the agriculture sector as a whole, given that most farms contributing to the sector are small and family farms. The lack of updated and detailed statistics hampers the process of evidence-based policy making and analytical work, since quantification of developments requires reliable data.

[7] The data collection and analysis is partially based on the study on the Smallholders and Family Farms in Albania, FAO Regional TCP on Empowerment of smallholders and family farms (TCP/RER/3601)

Agriculture development trend in Albania

The Albanian agriculture and agrifood sector has been growing over the latest years, at a pace similar to the rest of the economy, contributing more than one-fifth of the GDP. The agriculture gross value added (GVA) has increased by two-thirds since 2005, reaching about EUR 2.24 billion EUR in 2016.This can be considered a remarkable achievement when compared to the GVA of EUR 1.22 billion in 2005 (see Table 1).

Table 1: Gross value added of the agriculture, forestry, hunting and fishery sector in Albania

Indicator	**2005**	**2010**	**2013**	**2014**	**2015**	**2016**	**2017**
GVA at current prices (mill EUR)	1 218	1 616	1 884	1 990	2 004	2 152	2,248
Share in GVA of all activities (percent)	20.5	21.2	22.2	22.7	21.6	22.9	22.1

Source: INSTAT for 2005–2015 and Ministry of Finance and Economy for 2016, 2017.

In general, the increased incomes among the Albanian population have triggered an increased consumption, which has been accompaniedby higher domestic production and increased imports. Domestic demand and consumption have grown faster than domestic production in most sub-sectors, resulting in an increasingly high trade deficit during the 2000s.

The trade deficit kept expanding until 2010, and only during the recent years the situation has improved (Table 2). The increased output and productivity of the Albanian agriculture has succeeded in stabilizing (in absolute terms) the trade deficit, while there have been significant market improvements achieved in relative terms, as export flows have started to compensate for a larger share of imports. Even though the export/import cover ratio has been doubled during the recent years (from 11 percent in 2005 to 28percent in 2016), yet it still remains low (see Table 2).

Table 2: Trade in food and agricultural products

Category	Units	**2005**	**2010**	**2015**	**2016**	**2017**
Export of agri-food products	millions EUR	43.3	68.7	150.8	184.5	224.1
- share in export of all products	percentage	8.2	5.9	8.7	10.4	11.0
Import of agri-food products	millions EUR	370.4	632.5	693.4	730.6	795.1
- share in import of all products	percentage	17.6	18.2	17.8	17.3	17.0
Trade balance in agri-food products	millions EUR	-327.1	-563.8	-542.6	-546.1	-571.0
Export/Import cover ratio	percentage	11.7	10.9	21.7	25.2	28.2

Source: INSTAT, 2018.

Albania is increasingly integrated into regional and international markets, as shown by increasing import and export flows. International trade performance varies by sector. Some important results have been achieved, as in the case of fresh vegetables, where trade deficits have been turned into trade surpluses (Skreli and Imami, 2018).

The sector has become more efficient in the last decade, as shown by the increasing GVA (in current EUR values) compared to the number of farms and on-farm employment. While employment in the agriculture sector has decreased over the past 10 years, GVA has increased significantly. Farms have become more productive and profitable, and labour productivity measured as GVA per full-time employee has doubled since 2005 (see Table 3).

Table 3: Key macro-level indicators related to agriculture sector

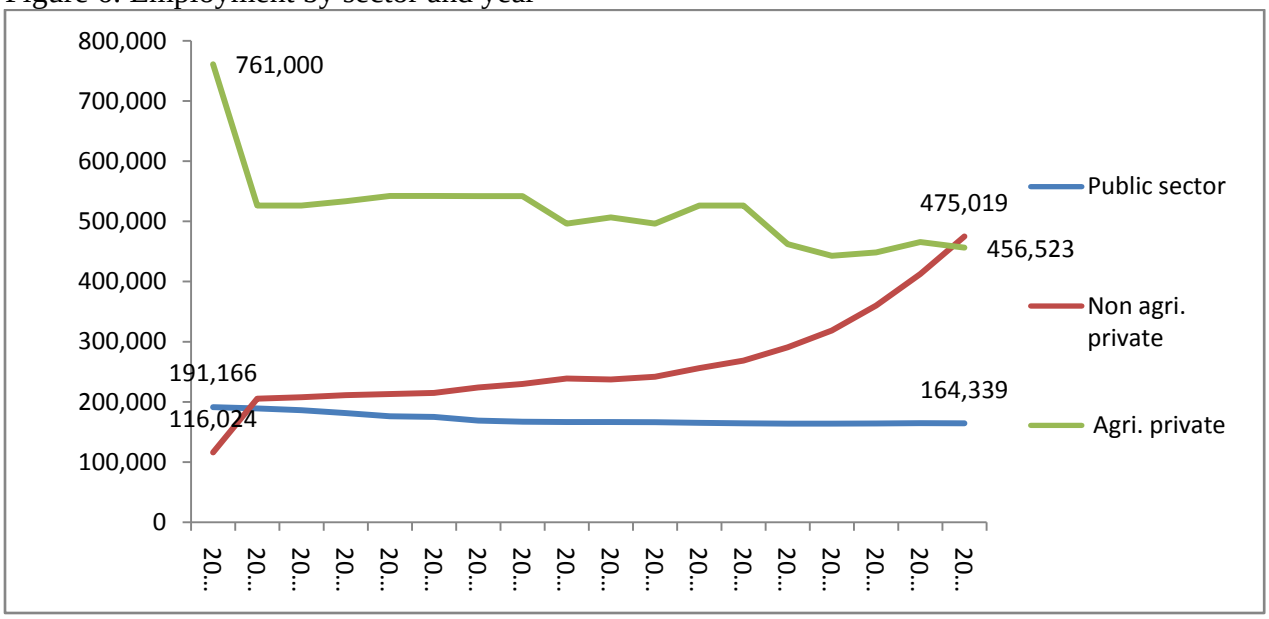
Indicator	**2005**	**2010**	**2015**	**2016**	**2017**
GVA (millions EUR)	1 218	1 616	2 004	2 152	2,248
Number of employees (thousands)	542	496	448	466	457
GVA/full-time employee (thousands EUR)	2.2	3.3	4.5	4.6	4.9

Source: INSTAT, 2018.

Albania's labour market has undergone structural changes over the past decade. Between 2000 and 2017, the formal non-agricultural employment in the private sector has almost doubled (see Figure 1). Thus, over the years, there has been observed a significant decrease on employment in the agriculture sector in both relative and absolute terms – a reduction of more than 40 percent since 2000. However, agriculture still remains one of the main and it is the main source of employment and income in rural areas despite the limitations the sector faces.

One major factor behind this change is emigration (migration to other countries). Also the internal migration to urban areas (urbanization) has contributed to the structural shift from agriculture toward industry and a variety of services, including banking, telecommunications and tourism. Indeed, migration is used by the rural households as a pathway out of agriculture: migration is negatively associated with both labour and non-labour input allocation in agriculture, while no significant differences can be detected in terms of farm technical efficiency or agricultural income (Miluka*et al.*, 2010).

Figure 6: Employment by sector and year



Source: INSTAT, 2018.

The number of on-farm working days per household varies significantly by region. The regions with the highest number of on-farm working days per household are those of Elbasan and Tirana, while the region with the lowest is that of Shkodra. Regional differences are related to differences in sectoral patterns of production and to alternative employment opportunities (Imami, 2018).The average employment on-farm and off-farm varies significantly by region (qark). For example, off-farm employment is very low in rural areas in Elbasan, whereas it is quite high in the region of Durres, which has developed various economic sectors, including tourism. In various regions, there is significant underemployment, most notably in Shkodra. Hidden unemployment is high also for the regions of Berat, Fier and Lezhë. Overall, it can be argued that hidden unemployment in rural areas could be around 25% of the engaged labour force (Imami, 2018)[8].

Farm size and structure

According to the latest Census of Agricultural Holdings in 2012, 98.2 percent of the agricultural holdings/farms[9] in Albania are family holdings[10]. Thus, by far, the most agriculture output comes from family farms.

[8] Similar to GVA, employment figures, especially regarding the agriculture sector, also should be analysed with caution, due to hidden unemployment.

[9] Law No. 10 201 "On the general census of agriculture holdings," dated 17 December 2009, stipulates that an "agricultural holding" is a single technical or economic unit that is run by a single person or group of persons for the realization of agricultural activities within the territory of the Republic of Albania. The census included and defined as agriculture holding any economic unit that has at least 200 m^2 of agricultural land in use (owned, rented or given in use without rent). However, in the case of agriculture surveys carried out by the Ministry of Agriculture in the

According to the structure classification, small farms with up to 2 ha make up 86% of the farm population, while the rest (14%) have more than 2 ha (Table 4). According to Imami (2018) it can be argued that the farms above 2 Ha farms have significant potential to be market-oriented, the exception would be the greenhouses since it can be competitive even with 1 Ha or less.

Table 4: Categorization of farm type and size

Area(ha)	No. of farms	Percentage	Expert categorization
0.1–1.0	159 856	45.55	Very small, subsistence/semi-subsistence
1.1–2.0	142 084	40.49	Small, limited potential to be economically viable
2.1+	48 976	13.96	Moderately large and very large,[11] significant potential to be economically viable
Total	**350 916**	**100**	

Source: Author estimate based on MAFCP (2012)

Overall, average farm size is small (significantly below 2 ha) in all *regions*[12](*qarks*) of Albania. For example, the mountainous regions of Dibra and Kukes have an average farm size of 0.7 and 0.6 ha respectively. Interestingly, in 2000 both of these regions had significantly smaller farm size, below 0.5 ha on average. The process of migration / depopulation has been typical for such remote mountainous regions, which might have contributed to farm enlargement. On the other hand, the region of Vlora and Fier has the highest average farm size, slightly above 1.5 ha (Imami 2018).

Farmers access to market, services and finance and the enabling environment

Standards

The National Food Authority (NFA) was established in line with the Food Law and was based on strategic priorities set down in the European Commission's "White Paper on Food Safety." The NFA has been supported by EU-funded projects aiming to consolidate and strengthen the administrative structures responsible for enforcement of EU-compliant food safety measures.

The Ministry of Agriculture and Rural Development (MARD, previously known as MAFP and MARDWA) has introduced national minimum standards (NMS) in accordance with EU practices. Good agricultural practice (GAP) should correspond to the type of farming that a

past (until 2012), the term "farm" was used. No definition was provided in the agriculture annual books that published the results of such surveys.

[10] Note: Agriculture **holding and farm are often used as synonyms in Albania** and elsewhere, including the European Union. See, for example, http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Agricultural_holding. Therefore, in this report we have used these terms as synonyms.

[11] Note: About 1.1 percent of farms, or 3 918 in total, are very large, with 10 ha or more. Thus, we can define the category of 2.1–10 ha as moderately large.

[12] Note: in 2015, a territorial reform as implemented. The data analyzed here refer to the old territorial classification. While the first layer of local governance, *qarks* (prefectures of counties), have remained the same, districts and municipalities/communes have been subject to changes. One of the major challenges for statistical reporting is to adopt and make comparable with the previous/older classification all data obtained for the new local government units formed as a result of the reform.

farmer would follow in the region concerned, entailing, at minimum, compliance with general statutory environmental requirements.

Despite legal and institutional changes, many farmers still lack information or awareness related to standards. In a recent publication (Gjeci*et al*., 2016) about 87 percent of the surveyed dairy cattle farmers stated that they had no cooling tank for storing milk, which is a prerequisite for attaining milk safety and quality standards. Most farmers do not know which institutions are in charge of food safety, animal health, or stable standards control. Although most farmers stated that they had a farm livestock book/register, they were not aware of the institution responsible for controlling them. The lack of awareness about standards induces non-compliance with them, which implies lower market access (especially in the case of exports) – there have been reported several cases of returning export shipments due to the lack of compliance with safety standards (Skreli and Imami, 2018). Furthermore, non-compliance with the standards results into constraints to access funds that are conditioned upon meeting certain standards that are well documented (e.g. IPARD).

Food safety standard is a major concern perceived by the Albanian consumers. Several studies (Imami*et al*., 2011; Zhllima*et al*., 2015; Vercuni*et al*., 2016) highlight the concerns of the average consumers about food safety, particularly for livestock products, with regards to the distrust to the public institutions in charge of the enforcement of safety standards. Thus, noncompliance with safety (and quality) standards may affect also access to the local market.

Agricultural land market and property rights

In 1945, the communist government nationalized forests and pastures in Albania. Since 1976, all agricultural land was nationalized, and private ownership was abolished. After the fall of the communist regime in 1990, the land reform process initiated in 1991 with the adoption of Land Law No. 7501. The agricultural land was distributed in a "fast track" reform process to the rural families who used to work previously in the collective and state farms. The distribution was based on an equal, per-capita basis among all persons previously associated with the collective and state farms. The law required distribution of all agricultural land (i.e. arable land, vineyards and orchards) of collective and state farms for free, while pastures and forests were not included and they remain in state ownership. The land reform resulted in excessive fragmentation of both landownership and land use (Hartvigsen, 2013, 2015).

In most rural areas, the land reform was conducted in accordance with the legislation, but in some parts of the country, for example in the northern part of Albania and in the hilly and mountainous areas of the central part of the country, the land commissions distributed the agricultural land to former owners or according to "old boundaries."[13] In the areas where land was allocated according to the "old boundaries," there were fewer overlaps of claims, obviously; whereas for the land allocated according to the legislation (e.g. Land Law No. 7501), the

[13]"Old boundaries" refers to the practice of land distribution when rural households received the same land owned by their predecessors before collectivization.

unresolved restitution claims have, in many cases, resulted in uncertainty of landownership and are thus hindering land market development and agricultural development in general (Hartvigsen, 2013).

The clash between the claim of "old (pre-communism) owners" and "new owners" has often been the cause of social tensions in rural communities, in some cases with heavy consequences. The possession of both informal and formal rights, combined with other farm-related production factors and conditions, positively affects investments related to agricultural land. Conflicts also influence the perception of land security in rural areas (Zhllima and Imami, 2012a; Zhllima and Imami, 2012b). Therefore, the agriculture land market is not vibrant, also for the reasons mentioned above. The high level of land fragmentation can be addressed through land consolidation programmes and projects, following best practices and previous experienced/efforts developed by development institutions (e.g. WB and FAO).

Value chain organization

The agrifood sector as a whole is facing problems with creating market institutions, establishing marketing and distribution channels, meeting European Union quality, veterinary and phytosanitary standards, and building the administrative capacity to support these processes. The agrifood value chain is expected to change substantially in the coming years, as the share of supermarkets in the retail sector is expected to increase significantly if considering the situation in the other transition and developing countries. Supermarket chains are typically very demanding towards suppliers in terms of volume, consistency, quality, costs (forcing low prices while delaying payments), and the commercial practices emphasizing long-term relations and contracts with suppliers. Furthermore, in some agrifood subsectors, such as greenhouse vegetables and watermelons, the production has significantly exceeded domestic demand thus a strong export orientation is needed. As mentioned, export markets – particularly the lucrative EU markets – are highly demanding in terms of standards. Export markets can be better targeted through improved vertical and horizontal coordination in order to achieve quality and safety standards (including traceability) and to improve efficiency. Achieving EU marketing standards may be also a challenge, since most producers are not aware of the standards (as shown above) and thus they do not meet them. Moreover, the EU marketing standards are also relevant in the domestic market, since many international supermarkets apply even higher marketing standards than the EU standards.

In Albania, we observe different forms of vertical coordination, which vary by sector/product and types of farmers. Spot markets still remain an important form of coordination in the horticulture sector (which has the strongest export potential). Regarding the types of agreements between farmers and buyers, previous studies conducted in Albania show that written contracts (formal contracting) are not common, while informal (verbal) agreements are widely used (Imami*et al.*, 2017). The main reason for non-formal contracts is the general Albanian attitude that contracting is not a typical way of doing business. The second most

important reason seems to be the farmers' perception of not seeing any benefits from the contracts (ibid).

Contract farming can help farmers (especially small farms) to reduce market-access risks, to take up innovative technologies, to increase productivity, and to improve product quality. By facilitating access to crucial services not otherwise available and accessible to smallholders – such as advice and training, credits and inputs and, occasionally, insurance – the productivity constraints may be overcome. This may lead to higher incomes for small farmers and a better livelihood for their families. Furthermore, better value chain organization can improve the farm performance (Imami, 2013).

Collective action may contribute to the achievement of economies of scale that make it more attractive for buyers to deal with smallholder farmers, this is because of the possibilities of consolidating larger volumes and thus reducing transaction costs, of better managing post-harvest handling and thus reducing post-harvest losses, and of facilitating the diffusion of good practices and innovations and thus increasing productivity. In turn, the bargaining power of organized farmers in the contracting process can be strengthened. This is particularly the case for small farms in Albania, considering their small sizes and the high degree of land fragmentation. Cooperation also could contribute towards addressing the limitation arising from fragmentation. Because of historic reasons and negative connotations, however, few cooperatives exist in Albania in the post-'90s economic reality. The same can be noticed in other Eastern European countries as well. Among the determinants of collective action, it has been found that low trust levels have a negative impact on farmers' incentives to contribute with financial resources for the maintenance of irrigation and drainage canals but it has no significant impact on labour contributions. The most prevailing collective action activities observed are the exchange of labour with other farmers, for example in harvesting products (Imami*et al*., 2017).

Access to finance

Access to finance is one of the key factors that condition the growth and modernization of the agriculture sector. Despite the macroeconomic stability in the last 15 years, access to finance has been a major challenge for the agriculture sector development in Albania. Indeed, a strong macroeconomic framework is necessary, but it is not sufficient. Despite the importance of the agriculture sector for the Albanian economy, the share of credits provided to agriculture and fisheries has been historically very small (roughly 2 percent of the total credits of the banks given to the private sector).

According to Imami (2018) the main obstacles for rural businesses and farm households in accessing bank credit can be summarized as follows:

- Collateral is limited in availability, which in turn is related to the absence of a market for land and to the unresolved issue of property rights (as mentioned earlier, in some rural areas, farmers have no property titles). Furthermore, banks avoid using agricultural land as collateral, particularly when they are situated in remote areas;
- Farms are small in size;

- There are high risk levels for agrifood businesses, especially at the production level, due to the absence of insurance schemes (with the consequent risk of losing a full year of cash flow due to crop failure) and due to uncertain access to markets, given that the formal production contracts between producers and clients such as traders and processing industries are not common;
- Farmers have a low level of education regarding crediting and financial management. In principle, many farming households prefer to avoid loans, but larger farmers are more likely to have another approach or mind-set;
- Informality.

In addition we may consider other factors such as:

- The fact that there is little or no technical understanding in the banking industry about the financial needs of the agriculture sectors;
- The interest rates are high. Despite its decreases in the recent years, still loan interest rates provided to the agriculture sector remain high. On the other hand, one of the reasons for high interest rates is the high risk of the sector.
- Last but not least, there is a lack of information among farmers regarding different options for financing. Most clients do not have access to information about services or products that the banks offer.

The node of the value chain with the highest difficulty of access to finance is the farmer, particularly the smaller ones, for all the reasons mentioned above.

Access to services and inputs

Farmers in Albania, as in other developing or transition countries, face major constraints in providing high-quality and consistent supplies. This is mainly because of financial constraints as well as the low input quality and a lack of technical capacity, among other things. For vegetables, farmers report that seeds are often of a low quality. Usually, these seeds are supplied by local input-supply companies and, in some cases, by buyers (wholesalers) whom the farmers supply (e.g. farmers acquire seeds/seedlings of watermelon from the wholesaler/trader who at the end buys the watermelon from those farmers). There have been also reported cases of farmers who produce the seedlings themselves, with the intention to reduce costs, and that have resulting in a lower performance in terms of yield and quality.

The quality of inputs and the way that they are used exposes risks to human health. Some farmers tend not to comply with requirements even when they are aware of them and the consequences of noncompliance.

A previous study, (Skreli*et al*., 2014), shows that the government/public extension service did not had any impact on increasing the farm size. Furthermore, it has had no net impact on increasing the areas under fruit plantation. The impact of the government extension service on farm performance is limited. While the coverage of public extension services is limited, private advisory services are the main source of advice for most farmers.

Discussions, conclusions and recommendations

Agriculture remains one of the largest sectors in Albania. It accounts for about one-fifth of the gross domestic product, and slightly less than half of the total employment, since the agriculture sector is dominated by small and family farms. The small size of the farm (average ca 1.2 Ha) and its fragmentation (e.g. 3 or more parcels per farm) is one of the major challenges of the agriculture sector. The land reform implemented in the early 1990s, in which the state agricultural land was equally distributed to the rural population, resulted in small and fragmented farms that hamper the growth and competitiveness of agriculture.

Smallholders have limited access to market conditioned also on gaps standards and volumes, the limited access to services and finances as well as the high quality inputs. Access to finance is also hampered by the poor social protection system. The government of Albania and various donors program have made effort to improve access to finance for the agriculture sector as a whole, including also small and family farms. Accessibility of financial support for small farms varies by the type of schemes. For example, some national schemes, such as the support for new plantations of vineyards, olives, orchards and medical and aromatic plants (MAPs) have been accessible for both small and larger farmers. Other national schemes, such as those supporting certain greenhouse investments and livestock direct payments, have targeted larger farms. The situation is also mixed in terms of donor-supported projects.

In order to improve government policy and active donors' program in the agriculture sector below there are several recommendations. The starting point should be the regular and reliable collection of data considering the gaps in both the availability and use of statistics. There is a need for a complete farm register that can serve as a source of information, per se, and as a basis for solid policy development based on surveys (sampling). Specific indicators and statistics related to small farms should be introduced.

Regarding land market and tenure, the promotion of land consolidation programs can be considered. However, land consolidation requires huge resources and long time for implementation. The compensation process should be finalized for "pre-1945" owners where physical restitution of land rights is not possible in order to diminish possible claims and reduce the threats and conflicts perceived by post-collectivization farmers. There is a clear need to support development of the agricultural land market through more efficient and less costly land registration procedures. This will reduce the high degree of informal land transactions and improve security of tenure rights in line with the Voluntary Guidelines on the Responsible Governance of Tenure.

Another set of recommendations regards the improvement of access to market, standards and value chain coordination. A major concern is the gap between the requirements imposed by the legislation (often introduced in the context of the EU approximation process) and the real-life situations, especially in the case of standards. Various standards are not and cannot be fully implemented by most farmers, especially by the smallest one. This has negative consequences including constraints in market access, and most notably, the lack of eligibility for IPARD II schemes, which assume compliance with national standards. In this context, it is necessary to

review carefully the legislation related to agriculture and rural development and to ensure that realistic transposition periods are in place, while on the other hand stepping up efforts to raise awareness and to provide funding and technical assistance for compliance with regulations. Moreover, there is a need for financial support for investments aiming at tackling the standards.

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Albania´s challenges to implementation of EU´s Water Framework Directive

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Albania has made considerable progress towards integration into the European Union (EU) and it is expected to formally open accession negotiations in 2019 (European Commission, 2018). The integration process requires significant and extensive legal and policy reforms, including approximation of the national legislation with the EU Acquis as well as establishment of the institutional framework that would draft, enforce and monitor policy implementations.

Agriculture is one of the sectors that has received an increased attention from the Albanian government not only because it currently contributes around 20% to the country´s GDP and employs nearly half of the workforce, but also for the potentials that the EU´s common market and its agricultural policies represent for Albanian farmers and rural areas in general. To this aim, the Albanian government has drafted and approved several policy and strategic documents that are in line with EU requirements. Some of these key strategic documents include the updated National Strategy for Development and Integration (NSDI II) 2015-2020, the National Programme for European Integration (NPEI), the Action Plan for the alignment with Agenda 2030 of Sustainable Development Goals (SDGs), and the Intersectoral Strategy for Agriculture and Rural Development (ISARD) 2014-2020, which details the vision of Albania´s agricultural policy (see Zhllima & Gjeci, 2017) .

Although Albania is not yet an EU member-state, still the EU provides financial support to aspiring countries through the Instrument for Pre-accession Assistance (IPA), a component of which is IPARD - the Instrument for Pre-accession Assistance in Rural Development. The IPARD II Programme was adopted by the Government of Albania and approved by the European Commission in July 2015 and subsequently ratified by the Albanian Parliament in March 2016. At this stage, the IPARD operating structure (managing authority) and the Agricultural and Rural Development Agency (the Paying Agency) are subject to accreditation by the EU. The objective of IPARD is two-fold, a) to provide assistance for the implementation of the Acquis concerning the Common Agricultural Policy, and b) to contribute to the sustainable adaptation of the agricultural sector and rural areas in the candidate country.

These objectives have been translated into intervention policies in Intersectoral Strategy for Agriculture and Rural Development (ISARD) 2014-2020, where they have been grouped in three main policy areas, namely i) rural development policy; ii) national support schemes for farmers, development of rural infrastructure, and ensuring equal opportunities; and iii) institutional development, implementation and enforcement of EU´s Common Agricultural Policy and other regulatory requirements (Zhllima & Gjeci, 2017).

The level of financial support in the three policy areas is still rather low, but yet increasing over the years. The support is allocated through three groups of measures, namely general measures related to agriculture, structural and rural development measures, and market and direct support measures. For the year 2015, most of the support schemes have been allocated to the rural development and structural measures, with the largest share allocated to financing drainage, irrigation and water resource management infrastructure. Its value increased from EUR 7.6 million in 2010 to EUR 14.7 million in 2015, representing, on average, 60 % of the total rural development support for 2010-2015 (see Zhllima & Gjeci, 2017).

Given the increased support to irrigation and drainage infrastructure, it is therefore important to pay attention to the challenges this sector currently faces and is expected to face in the future as the country progresses towards the European Union. Water management in the EU is guided by the Water Framework Directive (WFD), which requires the establishment of a set of complex institutional arrangements at multiple levels, from local, national to transboundary management. The Albanian government has already made progress in this regard by adopting Integrated Water Resource Management principles in its legislative and policy framework. Yet, the implementation in practice of the WFD principles faces numerous challenges.

This policy paper therefore attempts to shed light into the most pressing issues that the implementation of integrated water resource management principles faces in Albania. The work at hand considers primarily the current institutional framework for water management at the three governance levels, local, national and transboundary.

Before analysing the institutional framework and the institutional changes that have occurred over the years, a theoretical discussion of institutions and institutional changes will be provided. Then, the policy paper will proceed with an analysis of the institutional framework and water governance in Albania. Finally, some conclusions and recommendations will be summarised.

The Role of Institutions and Institutional Changes in Water Management

In economic sciences, the most commonly used definition of institutions, which will be used here, is the one advanced by Douglas North (1990:3) where "institutions are the rules of the game in society, or more formally, … the humanly devised constraints that shape human interaction". With the rules of the game, North (1990) implies both legal prescriptions such as laws, constitutions and regulations classified as *formal institutions*, and social norms, conventions, customs and codes of conduct classified as *informal constraints*. Formal institutions are legally introduced and enforced by state institutions, which are embedded in state operations based on laws that are enforced and monitored by the government. Meanwhile, informal institutions rely on enforcement methods not supported by the government, and are embedded in customs, norms, traditions, rules of conduct of a society.

Another important point considered in studying institutions is the distinction between institutions and organizations. While institutions are defined as the rules of the game, organizations are the players (North, 1990:4). Organizations are considered to be entities such as

EU, ministries, agencies, firms, political parties, or various associations (water user associations/organizations can be one of them), which have a hierarchically-organized structure. This distinction treats organizations as an individual actor[14] which pursue their objectives to maximize their benefits and by acting as such may be also drivers of institutional change (North, 1990; Ostrom, 2005).

Some authors argue that institutional change is an evolutionary process in which successful institutions evolve spontaneously through a competitive selection process that discards "inefficient" institutions, and thereby leading to optimal institutional configurations (Hayek, 1973). However, North (1990) contended these arguments arguing that the emerging institutions will not be necessary efficient, otherwise what would explain the persistence of many inefficient institutions that are observed in the real world. Instead, according to North, institutional change occurs incrementally via a path-dependent process (North, 1990).

There is a consensus, though, between different approaches that some institutions are easier to change than others. In his economics of institutions framework, Williamson (1998) argued that a change in informal institutions could take decennia, whereas formal rules could change in a shorter time. The same view is shared by Roland (2004) who treats institutional change as a slow-moving and fast-moving process, where the slow-moving institutions are the informal constraints such as social norms and values which change slowly, incrementally and continuously over larger time spans, whereas fast-moving institutions are the formal institutions which may change rapidly and discontinuously (Roland, 2004: 116).

Relevant examples which best illustrates the fast-moving processes of institutional change are the transformative processes that accompanied the collapse of communist regimes in Albania and other CEE countries. The most distinct transformative processes were the changes in property rights and governance of land and other natural resources including irrigation systems (Lerman, 2001; Theesfeld, 2005).

The institutional reforms and outcomes were however far from being uniform, and the emergence of new institutional arrangements depended on the economic dimensions, as well as political and social factors and actors (Sikor, Müller, & Stahl, 2009; Swinnen, 1999). These aspects shape also the direction of institutional change, which can be: *voluntary, bottom-up design of institutional change* that emerges from inefficiencies of the existing institutional arrangements, and *top-down, imposed institutional change* that is enforced by an external authority, which could be the government when it imposes rules on how local communities should manage their resources, or even international bodies that request countries to change or align their overall institutional framework with international institutional arrangements (EU legislation for example).

Many authors view institutional change as a centralized process which is "introduced and executed by governmental orders or laws" (Lin, 1989: 13). What motivates governments to

[14] This distinction has however been criticized for ignoring the institution-nature of organizations, since they themselves involve structures or networks which cannot function without their own rules - for instance, rules of communication or membership (see Hodgson, 2006 : 10)

undertake changes in the existing institutional arrangements depends on several factors. Theories of European Integration view the institutional alignment or approximation as an emulation process. In analysing the process of emulation, Jacoby (2004) suggests four modes through which CEE political elites have tried to emulate Western European institutions; copying (policy borrowing), templates (using Western European models as a loose approximation rather than detailed blueprint), thresholds (meeting minimum standards), and patches (faithful, unaltered transfers such as incorporation of specific legal texts into national law) (cf. Gorton, Hubbard, & Hubbard, 2009).

Other authors argue that governments can undertake institutional changes to redistribute power and administrative capacities across local governments units or communities (Agrawal & Ostrom, 2001). Decentralization and devolution policies, for instance, are an example of the latter form of imposed institutional change. They can be incited by external or domestic pressures to facilitate transfers of power closer to those who are most affected by the exercise of power (Agrawal&Ostrom, 2001). The pressure can come from different actors such as international donors, local organizations and NGOs and even groups within central governments.

To explain why governments give up some of its powers, Agrawal&Ostrom (2001) suggest that "central governments are best seen as congeries of actors who have different and perhaps conflicting objectives as they pursue a diversity of goals including power" (p. 487). This reflects the rationality assumption postulated in public choice theories which sees political parties and individuals as selfish utility-maximisers competing for votes (see for instance, Downs, 1957). Hence, the outcomes of these policies or decisions may be less than socially optimal since the decision-maker's private costs and benefits may considerably deviate from the social costs and benefits (Frey, 1978: 90).

Albania's and other CEE countries' land reforms for instance are an illustration of such a vote maximizing behaviour since the chosen reform options were primarily driven by political motives that would serve the ruling classes' interest and less by economic efficiency considerations (Swinnen, 1999). However, the political motives and vote maximising behaviour of decision-makers are also conditioned by political process at international levels. For instance, accession into the European Union has imposed several conditions on Albania's national institutional framework so that it aligns with the EU legislation. In the case of water management, the overarching legal frameworks are the Water Framework Directive, Groundwater Directive and Floods Directive. The EU requirements influence not only the behaviour of decision-makers but also the goals, objectives and outcomes of the institutional arrangements and institutional changes.

The utility-maximization behaviour is not an exclusive attribute of political parties or governments. Also bureaucrats who work in government offices at different levels are considered as actors who attempt to increase their own power, prestige, security and also income (Frey 1978: 100). Power competition is however not the only driver for imposing institutional changes. Often actors at the central level find that the new institutional arrangement can

contribute to reduction of costs of their agency (and/or improvement of revenues), or even deflect blame (Agrawal&Ostrom, 2001).

Water Resource Management in Albania

Albania may be considered as a rich country in terms of water resources. For water management reasons and to comply with EU's Water Framework Directive, Albania's water resources have been divided into six river basins (Drin Bunë, Mat, Ishëm-Erzen, Shkumbin, Seman and Vjosë) and part of their basins' surface is situated outside of the state borders of Albania (Montenegro, Macedonia, Kosovo and Greece). The seven main rivers cross the territory of the country from the east to the west (Drin, Mat, Ishëm, Erzen, Shkumbin, Seman, Vjosë). The total annual rate of flow is 39.22 billion m^3/year, where 95 % is discharged into the Adriatic Sea and only 5% into the Ionian Sea. Two characteristic periods are distinguished regarding to the water flow rate, the humid period (October -May) with 86% of the annual flow rate, and the dry period (July - September), covering the remaining part of the annual flow rate.

The lakes cover 4% of the territory, including three large lakes and 247 small lakes. A number of 626 reservoirs, with an accumulating capacity designed to be around 5.6 billion m^3, are constructed along the rivers and streams and they are used for irrigation, protection against flooding and production of the electrical power. The ground waters are also plentiful and contribute by 23% to the annual total flow. They are distributed along the entire territory and are utilized by natural outlets and wells, serving mainly as potable water for around 80% of the towns. A small quantity is used for irrigation, mainly in the western lowland (Mukaj, 2013). Currently, the largest user of water resources is the energy sector with 14 billion m^3, followed by agriculture with 1.01 billion m^3, whereas 0.22 billion m^3 is used by industry and for drinking water (MEFWA, 2009).

The main law that regulate the governance of water resources is Law No. 111/2012 dated 15.12.2012 on "Integrated Water Resource Management", which has transposed the Water Framework Directive (WFD). Its implementation started in December 2013, pursuant to which a package of bylaws was enacted by Decision of the Council of Ministers (DCM). The main by-laws include DCM No. 1080 dated 13 December 2013 on establishment and composition of the National Water Council; DCM No. 230 dated 23 April 2014, on the composition, organization and functioning of the Technical Secretariat of the National Water Council; DCM No. 177 dated 26 March 2014, on the establishment, composition, functioning, responsibilities and duties of the Special Commission for Administration of Transboundary Waters; DCM No. 267, dated 7 May 2014, on adoption of a priority substances list for water resources; DCM No. 246, dated 30 April 2014, on environmental norms for surface waters; DCM No. 1189, dated 18 November 2009, on rules and procedures for the design and implementation of a national environmental monitoring programme; Decision of the NWC No. 5 dated 16.2.2016, on approval of the Regulation on the organisation and functioning of Water Basin Councils; DCM No. 268 dated 6 April 2016 on approval of the regulation on the functioning of National Water Council; DCM No. 342 dated 4 May 2016, on the approval of territorial and hydrographical borders, the centre and composition

of Water Basin Councils; DCM No. 662 dated 21 September 2016, on approval of tariffs for water use and water discharges.

The key objectives of the Law No. 111/2012 are to protect and sustainably use water resources as well as to define the institutional framework for the implementation of national policies. The institutional framework for managing water resources is nevertheless constantly changing. For instance, as far as the irrigation and drainage sector is concerned, the Albanian government undertook another drastic reform in the field of water management.

A new Law No. 24/2017 of 09 March 2017 "On Irrigation and Drainage Administration" was adopted by the Albanian Parliament, reflecting the new institutional changes regarding the irrigation and drainage management and also defining the tasks and responsibilities of all actors like MARD, municipalities and Water User Organizations (WUOs). On May 2017, four Irrigation & Drainage Directorates (IDDs) were established, in Lezha, Korca, Fier and Durres regions. The new IDDs will be responsible for the management of 22 primary main irrigation channels serving more than one municipality, 7 big reservoirs, main drainage channels, flood protection works and 27 drainage pumping stations. The municipalities have established respective Irrigation & Drainage Units. Whereas the Water User Organisations that were operational have been de-facto dissolved, although the law still recognises their existence.

Also, political rotations are accompanied with changes in responsibilities of the involved actors, especially at the higher level. For instance, according to the law and following institutional reform, several competencies were transferred from the Ministry of Environment (MoE) to the Ministry of Agriculture, Rural Development (MARD). The MARD is now responsible for the protection of water quality and for the sustainable use of water resources. The MoE remains the responsible body for the monitoring of water quality.

The Governance of Water Resources in Albania

The governance of water resources in Albania is rather complex. It is characterised by a high degree of centralization and involvement of several actors at different levels. The main decision-making authority is the National Water Council (NWC), composed of different ministers and chaired by the Prime Minister. It is responsible for the administration and management of water resources, whose competencies include water management in inter-regional and national plans and projects in agriculture, urban planning and industrial and territorial development.

The Technical Secretariat of the NWC is the executive body of the National Water Council (TSNWC). It is based at the Prime Minister's office and it is responsible inter alia for drafting and monitoring the implementation of River Basin Management Plans. Its responsibilities cover: (i) the implementation of international agreements and conventions on national water resources and transboundary waters to which the Republic of Albania is a party; and (ii) the coordination and control of local water management bodies.

However, as of April 2018, based on DCM No. 221, dated 26.4.2018, the Technical Secretariat of the National Water Council has been transformed into the Agency of Water Resource Management, which is under direct responsibility of the Prime Minister. The main

responsibilities of the Agency include the determining and enforcement of policies, plans, strategies, programmes and projects related to the development of the water sector; assessing and drafting of legislation on water resource management, as well as it coordinates the harmonisation of the legislation in line with EU Aqcuis.

Since the enforcement of the new law (Law 111/2012) on integrated water resource management , the administration of water resources changed after the general elections of 2013, moving from the Ministry of Environment (before 2013, it was called Ministry of Environment, Forests and Water Administration) to the current Ministry of Agriculture, Rural Development (MARD) (before 2017, it was called Ministry of Agriculture, Rural Development and Water Administration).These institutional and political changes have transformed the MARD from an actor that was primarily responsible for irrigation, drainage and flood protection into the main actor that will follow the implementation of the WFD- approximation of the water legislation. The responsible Directorate of Water Administration under MARD is still at an early stage of development, since its functions remain to be elaborated and its number of staff is still small.

Previously, the alignment of legislation with the EU-WFD and other water sector-related activities, such as the implementation of water policies, monitoring of water quality, issuance of permits and authorisations[15] for water resource use, or supervision of RBAs' work were carried out by the Ministry of Environment. Currently, the main responsibility of the Ministry of Environment, regarding the water sector, include the monitoring, controlling and determining of ecological and environmental qualities of country's water resources. Meanwhile, the Ministry of Infrastructure and Energy is responsible for water used for energy production, and for the construction of water supply and wastewater treatment infrastructure[16].

For flooding emergencies, there is an emergency unit attached to the Ministry of Interior that is in charge for coordinating emergency activities and actors. The Ministry of Health and the Ministry of Finance have a minor direct role, but not least important since both actors deal with health safety and financial aspects of water governance, respectively.

As just mentioned above, the National Water Council is the highest authority for water management in the country. Some of its key responsibilities deriving from the new institutional framework (Law 111/2012 and other by-laws) on water resources include the drafting of regional and national strategies, policies, plans and projects on the agriculture sector, industrial and territorial development with focus on water protection and management. The new law designates the NWC as the government body in charge for the implementation of international agreements, conventions on water resources, in which Albania is a party. The NWC is currently responsible for issuing permits and authorisations for water use and discharges for activities that are carried out beyond the borders of a single river basin, as well as for approving requests for concessions on water resource.

[15] With the new legislation, the permits and authorisations for water-related activities will be issued mostly by the National Water Council, and only in specific cases, they will be issued also by the River Basin Councils.
[16] The management (operation, maintenance, water charges etc.) of the water supply and sewage systems is the responsibility of local governments (municipalities).

The Agency of Water Resource Management is the technical and executive body of the NWC. The Agency is organised in three departments and it has a total staff of 23 employees. It determines the vision towards which the governance of integrated water resource management shall be oriented; it analyses the state of the water resources, identifies the needs that will serve to determine the priorities of the sector, evaluates the proposals and carries out the feasibility in meeting the priorities; it drafts, implements and monitors the policy documents on the water sector, the National Strategy for Integrated Water Resource Management, the National Sectoral Programme, as well as programmes and projects that aim at the integrated water resource management, the protection of water quality and quantities, in coordination with other state entities and organisations specialised in the water sector at the central and local levels. It implements the provisions of international agreements and conventions for transboundary water resources, in which the Republic of Albania is part of, as well as it develops a national inventory of water resources both in terms of quantitative and qualitative data, according to the rules set by National Water Council. Furthermore, it proposes to the National Water Council the issuing of permits and authorizations for water use and discharges, as well as it coordinates and supervises the work of local actors involved on water resource management and it follows the procedures for issuance and enforcement of permits and authorizations. Another important responsibility is to follow the implementation of River Basin Management Plans (RBMP).

Challenges to Implementation of Water Resource Management in Albania

Preparation and implementation of the River Basin Management Plans is the key planning instrument to meet the objectives of the Water Framework Directive, as stipulated in Article 13 of the WFD. In Albania, there are 6 water basins, namely Drin-Buna River Basin, Mati River Basin, Erzen-Ishëm River Basin, Shkumbin River Basin, Seman River Basin and Vjosa River Basin. Currently, River Basin Management Plans have been drafted for most of the river basins, except for Erzen-Ishem River Basin. The management plans have been financed and technically supported by international donors, mainly the World Bank, with direct involvement of MARD and close supervision and coordination from the TSNWC. The RBMP for Mati River Basin has already been approved by the Government, whereas the other RBMP are yet to be approved. The main components of River Basin Management Plans include:

- Description of the river basin characteristics;
- Assessment of pressures on surface waters and groundwater and their impact on the environment and natural resources;
- Design of the water quality monitoring systems;
- Development of specific quality objectives for all water body types;
- Economic analysis of water use, water pollution and water management;
- Development of a plan for water management and mitigation of adverse environmental impacts;
- Stakeholder involvement, public participation and awareness;

- Establishment of an administrative structure for river basin management.

Despite the fact that some of the RBMPs have been drafted, serious challenges remain to their implementation.

First, the drafted RBMPs are more a guideline on how to draft a river basin management plan rather than a plan in itself. This comes primarily from the lack of data since all river basins lack reliable time-series data that would allow an accurate characterisation of physical-chemical and ecological status of the waters. Only Drin-Buna River Basin has currently some updated data (see GIZ, 2017).

Second, in order to prepare and more importantly to implement a River Basin Management Plan, the relevant and responsible decision-making and implementing structures need to be in place. As mentioned early, the new law (Law 111/2012) has fully transposed the Water Framework Directive into the Albanian legislation. Based on the law, the water management is carried out at a river basin district scale. Law 111/2012 defines the concept of the River Basins District as the area of land and sea, comprising one or more neighbouring river basins, together with their associated groundwater and coastal waters.

The responsible body for integrated water resource management of a river basin at the local level is the River Basin Council (RBC), whose mission is to protect water resources from pollution, misuse and damages that affect waters' quality and quantity and to ensure an efficient management and fair allocation of water resources within the river basin. The RBCs are chaired by the Prefect of the district in the respective river basin and they are composed of representatives from the local level government, regional government agencies and one third of its representatives come from the business community. Farmers - who comprise a considerable share of the population and have a direct interest on water use - are hardly involved in these supposedly collegial structures. This is against a key requirement of the Water Framework Directive (also of the Albanian legislation) that requires and encourages public participation and awareness in decision making. This institutional arrangement leaves farmers' interests, the least to say, unrepresented, with possible implications for the long term development of the agriculture sector. Moreover, the conflicting interests between sectors such as energy vs. agricultural would skew the water allocation towards more powerful interest groups impacting the sustainable and economic development of the affected population.

Other challenges could emerge from the lack of responsibilities and authority of the River Basin Councils. Since the issuance of permits and authorisations for water use and discharge are concentrated and carried out at the central level (National Water Council), the RBC's find "no good reasons" to call meetings. Thus, the functioning of RBCs depends on the decision- making "freedom" assigned by central water authorities, namely the National Water Council. The imposed changes in the institutional arrangements for the functioning of RBC risk transforming them in a merely redundant governance structure in Albania's water governance constellation.

Another governance structure that operates at the river basin level is the River Basin Agency (RBAs). The RBAs are the executive and technical agencies whose key responsibilities include; a) the preparation of draft-plans for the management of water resources in the respective

river basin and their submission to the respective RBC for approval; b) inventorying and periodic updating of the quality and quantity of water resources; c) encouraging the participation of water users in the management of water resources; d) preparation of reports and recommendations on water resources which are then proposed to the respective RBC for follow-up; e) preparation of materials for RBC meetings; f) and following the implementation and enforcement of the NWC and RBC decisions.

According to discussions with key experts, almost none of these responsibilities are properly performed due to the lack of financial resources and adequate staff. The Drin-Buna RBA has for instance seven employees in total, with no corresponding technical expertise. Furthermore, another key responsibility of RBAs is the preparation of river basin management plans and inventorying of the quality and quantity of water resources in the respective river basin; tasks which are de facto performed by central water authorities (TSNWC and MARD). This passive role of RBA, which appears to be imposed by the governments' tendency to centralise many water governance functions will very likely have a negative impact on the RBAs' future performance in the implementation of the EU's WFD requirements for water management.

Conclusions

The current institutional framework has embraced Integrated Water Resource Management principles; a policy driven mostly by the requirements of the integration processes into the European Union, namely the Water Framework Directive. Based on these requirements, water resources need to be divided and managed in river basin-scale. Although the overall formal alignment of the institutional framework with EU's Water Framework Directive has progressed quickly, the practical implementation of these principles needs time to be evaluated.

Nevertheless, some obvious limitations can already be noticed. The water governance in Albania appears highly fragmented with little convergence across the sectors. Investment decisions related to water are often made on the basis of single sector considerations. Also, the role of regional level governance structures in decision making processes pertaining to water management has been considerably reduced. River Basin Councils and River Basin Agencies have been "stripped" of the authority to take decisions over large, capital intensive investments and projects that focus on water resources.

Participation of local communities, through community-based organisations, in drafting management plans or other important strategic documents, is at best formal. Having said that, the "institutional designers" have missed and failed to capitalise on local knowledge and experience, which, as theory suggest, are important ingredients for institutional design processes and adaptive governance of water resources.

The analysis of this policy brief identified that the devolution and decentralisation of responsibilities for water management – the major institutional changes in water governance – came about and continue to be driven by imposed, top-down mechanisms with little regard to the local context. Although these types of policy reforms are well recognised as important instruments for achieving sustainable management of natural resources, their impact on the

actual management of these resources depends on the extent of responsibilities the emerging governance structures are assigned with and their ability to exercise the transferred responsibilities and decision-making powers.

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