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Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 15-Dec-2022 | Report No: PIDA35067

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Project Name	Parent Project ID (if any)
Albania	P178715	Climate Resilience and Agriculture Development Project	
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Practice Area (Lead)**
EUROPE AND CENTRAL ASIA	12-Dec-2022	16-Mar-2023	Agriculture and Food
Financing Instrument	**Borrower(s)**	**Implementing Agency**	
Investment Project Financing	Ministry of Finance and Economy	Ministry of Agriculture and Rural Development	

Proposed Development Objective(s)

The Project Development Objective is to increase competitiveness and climate resilience of priority agri-food value chains.

Components

Promoting Climate Smart Agriculture and Access to Markets
Enhancing Compliance with Food Safety and Quality Standards
Strengthening Evidence-based Analysis Capacity of MARD and Municipalities

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	70.00
Total Financing	70.00
of which IBRD/IDA	70.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	70.00

Environmental and Social Risk Classification

Moderate

Decision

The review did authorize the team to appraise and negotiate

B. Introduction and Context

Country Context

1. **Albania's economy has experienced a rapid but turbulent growth.** Albania achieved middle-income status in 2008. Between 2000 and 2008, the economy expanded by 6.2 percent and the poverty rate halved from 25.2 percent to 12.5 percent[1]. However, emerging vulnerabilities threatened the sustainability of growth despite these high growth rates. Between 2008 and 2014, the impact of the global financial crisis and a sharp deterioration in the external environment weighed on Albania's exports, remittance inflows, and external credit conditions. Supported by a fiscal adjustment and macroeconomic stabilization, the GDP growth rate gradually recovered to 4.1 percent in 2018, before a devastating earthquake (2019), the COVID-19 pandemic, and most recently the war in Ukraine, hit the economy through supply side shocks.

2. **In 2021, real GDP increased by 8.5 percent, fully recovering from the recession caused by the COVID-19 pandemic, however the country faces challenges related to unemployment and inflation.** Growth in 2021 was broad-based, however, post-earthquake reconstruction, a strong recovery of tourism and extractives, and favorable hydrological conditions for energy production were key factors determining the sectoral composition of growth. Employment has yet to recover to the pre-pandemic level. There were 16,800 fewer employed people in 2021 than in 2019. At the same time, average labor force participation fell for the second consecutive year among all age groups. Wage pressures intensified: the formal real wage increased by 3.7 percent in 2021, close to the 2019 increase, while the minimum wage increased by 13.1 percent in real terms. The average unemployment rate remained stable at 11.5 percent in 2021. Inflationary pressures have risen since late 2021. Consumer price inflation reached 3.7 percent in January 2022, led by wage pressure from the domestic demand expansion and the hike in food, energy, transport, and commodity prices in world markets. Food prices increased by 6.8 percent year-on-year in December 2021, close to double the increase of the overall basket. With food comprising over half of total consumption for the median household, most households are affected.

3. **Growing inflation and the war in Ukraine threaten economic prospects in 2022, particularly in the agriculture sector.** The war in Ukraine and the sanctions imposed on Russia disrupted supply chains and were reflected in surging prices of food, energy, and key minerals used in various industries. These developments gradually affected Albania's inflation: the annual inflation rate rose to 7.5 percent in July 2022, the highest since March 2002. Food price inflation and transport inflation for the same month increased at 13.2 percent and 19.7 percent, respectively. Such increases are adversely impacting the poorest citizens given the higher weights these

[1] World Bank. 2021. Albania Country Economic Memorandum: Strengthening the Sustainability of Albania's Growth Model.

items have in the consumption basket of the poor. The exchange rate against the euro appreciated by 3.7 percent in July, which restrained the transmission of imported inflation into the domestic economy. In addition, regulated prices of energy for business and consumers as well as temporary controlled prices for transport fuels and key food items have redistributed the burden of global price increases and prevented a full transmission to domestic inflation. Yet, these also had a negative fiscal impact[2]. Although Albania's direct trade, remittance, and migration linkages with Russia and Ukraine are limited, Russia and Ukraine are key producers and exporters of several commodities which are of vital importance for Albanians including grains and fertilizers. Supply shortages and higher prices of energy are affecting the agri-food production and value addition activities due to increases in costs of agricultural inputs, irrigation and drainage, processing, transportation, storage, thereby affecting what is and can be produced, reducing the profit margins of farmers and agribusiness. All of these could dim Albania's growth prospects. In turn, a sluggish job market combined with diminished purchasing power could dampen poverty reduction. In this context, the proposed project will design specific activities such as supporting short food value chains development, installation of Solar Photovoltaics, development of Climate Smart Agriculture IT Platform, among many other activities, aiming to contribute to the mitigation of food and energy crisis.

Sectoral and Institutional Context

4. **Agriculture is a key sector in the Albanian economy, contributing 19 percent to GDP and 36 percent to total employment in 2020[3].** Forty-one percent of the population live in rural areas of which the majority is engaged in agriculture. The wider agri-food system, including food-related services, processing and manufacturing, is directly or indirectly the source for almost half of the economy-wide jobs[4]. Between the 1990s and the early 2000s, Albania went on a path of rapid transition towards reduced contribution of primary agriculture to GDP and employment, but this progress has slowed significantly since the mid-2000s. Public expenditures for agriculture have been low compared to other sectors and regional peers. Between 2010 and 2017, agriculture spending represented 1.9% of total government spending and grew only by about one third of the growth in total public spending. Total budgetary transfers to agriculture averaged 0.27% of national GDP between 2010 and 2017, compared to 1.27% of GDP in North Macedonia, 0.72% of GDP in the EU-28, and 0.51% of GDP in Bosnia and Herzegovina.

5. **Agriculture production, in particular production of selected fruits and vegetables, has become increasingly competitive in the last decade because of increased cultivation area (including greenhouses), increased yields and improved technologies**. The number of collection points and aggregators for trade, especially for the export of fruits and vegetables, has increased. Despite limitations in food safety management, Albania has achieved a considerable increase in agri-food exports as a proportion of total exports (14[5] in 2020). The main exported food categories are edible vegetables; meat preparations; oilseeds; vegetables, fruit, and nut preparations; and edible fruit and nuts. The EU is Albania's most important trade partner for both exports and imports of agri-food commodities (67 percent of total agri-food exports and 62 of imports during 2019)[6]. Albeit these developments, Albania remains a net importer of agri-food products.

[2] World Bank. 2022. Western Balkans Regular Economic Report, No.22, Fall 2022: Beyond the Crises. Washington, DC.
[3] Institute of Statistics (INSTAT). Albania in Figures, 2020.
[4] World Bank. 2017. Agriculture for Jobs and Growth in the Western Balkans: A Regional Report
[5] Institute of Statistics (INSTAT)
[6] Joint Research Centre (European Commission). 2021. Recent agricultural policy developments in the context of the EU

6. **Domestic and international markets present opportunities as high-value outlets for Albanian agriculture production.** Opportunities include (i) the development of modern retail and the rising demand for more processed products in Albania; (ii) the growing interest in traditional products for agritourism and local sourcing in the HoReCa[7] sector driven by the exponential growth of the tourism sector in the country (32% annual increase of foreign arrivals for personal reasons between September 2021 and September 2022 for a total of 6.34 million foreign arrivals[8]) as well as the rising demand of urban consumers for local products; (iii) the proximity to EU markets and (iv) the increased trade within the Western Balkan countries. To capture these opportunities, agri-food operators require a continuous supply of sustainable, traceable, safe, and quality products.

7. **However, agri-food sector is constrained by several factors that prevent it from fully capitalizing on the opportunities presented by domestic and international markets**. In Albania, the share of small-scale farming remains extremely high. More than 95 percent are family farms, often engaged in subsistence production due to their small size and fragmented parcels. Market access of family farms is low due to the small quantities produced, missing links in value chains and low access to technology[9]. Thus, the supply of agricultural products is unable to meet the demands of high-end buyers. Weak compliance with food safety and quality requirements impedes the competitiveness of Albanian agri-food products. Furthermore, agriculture is a climate sensitive sector and projected climate change effects pose serious risks to the Albanian agriculture sector. Agriculture production is heavily dependent on the network of irrigation and drainage infrastructure, which remains hampered by low water use efficiency. These challenges need to be addressed in order to improve the competitiveness and climate resilience of Albania's agri-food sector.

8. **Established agri-food businesses that have the capability to absorb greater quantities of products are often insufficiently supplied with the required quantity and quality of products by smallholder farmers.** Fragmented production (350,000 small farms with an average size of one hectare), low productivity (the lowest in the Western Balkan region), and low compliance of production with quality standards and certification are all limiting factors. Without a strong supply, agri-food businesses are unable to compete effectively. Exports mainly concentrate around a small number of products in a few markets and for a limited time of the year (March-May), while the processing industry is facing strong competition from imports. To enhance access to domestic markets and improve exports competitiveness, it is crucial to leverage private sector investments into green and effective value chain development and build productive partnerships between producers and agri-businesses.

9. **Local food systems and short supply chains that connect farmers and small-scale food producers in rural areas with buyers or consumers through direct marketing have yet to be developed** to achieve a wide range of economic, social and environmental benefits, which can be also attractive to young farmers, rural youth and women. Short supply chains are more beneficial if they increase regional added value by contributing to stimulating local economic development cycles by linking agriculture with other sectors, e.g., agritourism and rural tourism, development of local markets and local fairs, and integrating them into local development

approximation process in the pre-accession countries.

[7] Hotel/Restaurant/Café

[8] General Directorate of State's Police, INSTAT calculations.

[9] Ministry of Agriculture and Rural Development, Albania. The Strategy for Agriculture, Rural Development and Fisheries 2021-2027.

initiatives. According to the Strategy for Agriculture, Rural Development and Fisheries (SARDF) 2021-2027, the Albanian government foresees the building of trading platforms for agricultural products, which aim not only to trade agricultural products in optimal conditions, but at the same time to improving farmers' position in the value chain.

10. **Weak compliance with food safety, plant health, veterinary, and (export) product quality requirements impede the competitiveness of Albanian agri-food products and create market access inequalities.** Compliance with food safety, plant health, veterinary and quality standards is important given the relevant role of the food manufacturing sector and recommended increase in production of high-value agri-food products, as well as the increasing trend in agri-food exports. However, compliance in Albania is limited and most often achievable only by larger, better-equipped and better-informed producers. This leads to low (export) market integration particularly for smallholders. Cost and competitiveness implications of food safety and products quality deficiencies can be significant and can lead to food markets disruptions and impediments to agri-food exports. Future investments and institutional strengthening efforts should address weak compliance and control mechanisms related to food safety, veterinary and sanitary and phytosanitary standards, and reduce the transactions costs related to market access and inclusion.

11. **In addition to market instability, agriculture is a climate sensitive sector and projected climate change impacts pose serious risks in Albania.** Temperatures are projected to continue increasing across South-Eastern Europe and Albania's summers are expected to experience the greatest degrees of warming in the region, with an increase of 2.4°C to 3.1°C during June to August[10]. Heat waves are expected to increase in intensity, duration and frequency, possibly by as much as six-to-eight times per year, which also increases risks of drought and greater fire risks. Albania will continue to experience a high degree of inter-annual rainfall variability. Changes to precipitation patterns and intensity can also lead to more frequent flooding in certain areas and to more droughts, landslides, or erosion along embankments and mountainous areas. The increase in extreme weather events, coupled with poor management and lack of investments in flood protection, irrigation and drainage infrastructure is also likely to pose a serious threat to agriculture production, water availability, food security and economic growth for most of the rural population who depend either directly or indirectly on agriculture. Extreme events may also impact agriculture production through an increased exposure to new pests and diseases. Climate change is likely to introduce emerging food safety, veterinary and phytosanitary risks, which may exacerbate existing inadequacies in the current system.

12. **To increase the sector's resilience to climate change, it is essential to improve Albania's irrigation and drainage network.** Agriculture production in the country is heavily dependent on irrigation and drainage. About 360,000 hectares (ha) of arable land were equipped with 25,000 kilometers of network irrigation canals[11]. However, a large part of these irrigation canals and water control structures have deteriorated due to the lack of sufficient maintenance. Consequently, most of the irrigation systems have a conveyance efficiency of about 30-60 percent. About 280,000 ha of arable land have been equipped with drainage infrastructure, however most of the pumping stations have been in use for 30 to 45 years, with limited maintenance and upgrades. Currently, the irrigation and drainage network still lack a functional monitoring and evaluation framework at both the ministry

[10] World Bank. 2021. Climate Risk Profile: Albania.
[11] World Bank. 2021. The Future of Water in Agriculture in Albania - A Broad Sector Rethink.

and municipality levels and needs substantial transformation to align with the requirements of EU policies and strategies. Today Albania irrigation and drainage schemes are owned by MARD, while their operation and maintenance are transferred to respective municipalities. MARD, through regional irrigation and drainage enterprises, operates and maintains main reservoirs and distribution of water in the primary systems serving more than one municipality.

13. **Improving irrigation and drainage services could provide farmers with opportunities for increasing productivity and switching to higher value crops** such as fruits and vegetables, which would enable them to provide a steady supply of agricultural products of the desired qualities and quantities to processers and markets. With support of previous Bank-funded projects, the amount of irrigated area in Albania is reported as increased by 30-50 percent, and yields increased by about 20 percent, mostly for irrigated maize, vegetables, fruits, and forage crops[12]. Due to relative improvements in the reliability of irrigation service delivery, the area under high-value crops has increased, while the area under rainfed subsistence crops has declined. Farm income has substantially increased - by about US$750 to US$1,500 per year - generating additional labor requirements of more than 30 person-days, with returns of US$10 per day. The outcomes showed that irrigation and drainage infrastructure rehabilitation has had very positive economic and rural poverty reduction impacts.

14. **Operations of irrigation and drainage pumping stations is costly due to high electricity prices.** Albania is highly dependent on hydropower and a net importer of electricity with electricity imports typically account for 30 percent of the annual electricity demand in a normal year and can increase to over 50 percent in a dry year. The electricity supply costs in Albania are significantly increased due to (i) the decline of domestic electricity production due to low and very seasonal rainfall and (ii) the increase in market prices of electricity in Europe, exceeding 6 times the prevailing prices prior to the crisis. Diversifying Albania's current energy supply with alternative clean sources and increasing energy efficiency would both increase its energy security and contribute towards climate neutrality goals. The "Promoting the Use of Energy from Renewable Sources" Law, from 2017, allows households and small and medium-sized enterprises (SMEs) to install wind and solar power systems with a capacity of up to 500 kW for own consumption. The Drainage Water Pumping Stations and the Irrigation Water Pumping Stations to be modernized under the project are significant seasonal electricity consumers, and the actual cost of electricity is burden for GoA and for the farmers. The investment in development of Solar Photovoltaics (SPV) installation, in every drainage and irrigation water pumping stations, is considered in the project as part of modernization. The contribution of SPV will significantly improve the energy savings and efficacy.

15. **The proposed project will directly contribute to the mitigation of the food and energy crisis and enhancement of resilience.** To address above mentioned challenges, the project would finance activities including (i) short value chains development under Sub-Component 1.1, which could create better links between farmers/producers and buyers, decrease transaction costs, and strengthen resiliency of food supply; (ii) installation of SPV to increase renewable energy source for operating irrigation and drainage schemes under Sub-Component 1.2, which could diversify Albania's current energy supply with alternative clean sources and increasing energy efficiency would both increase its energy security and contribute towards climate neutrality goals; (iii) support to increase institutional capacity to implement the food safety, veterinary and phytosanitary

[12] World Bank. 2021. The Future of Water in Agriculture in Albania - A Broad Sector Rethink.

requirements, which could help Albania to confront the challenge of pandemic preparedness and building resilience to the threats associated with increased regional movement and trade; (iv) the development of IT Platforms on Climate Smart Agriculture and Business Intelligence to collect all the relevant information such as soil type, hydrometeorological data, agriculture practices (e.g., use of fertilizers, pesticides, irrigation, etc.), and to guide evidence-based decision making for more resilient and sustainable agri-food systems respectively.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

The Project Development Objective is to increase competitiveness and climate resilience of priority agri-food value chains.

Key Results

16. **Key indicators to measure the achievement of the PDO will include:**

(i) Sales of agricultural produce from farmers through the Micro Food Hubs and clusters. (Metric Tons)
(ii) Percentage of farmers connected to the pressurized and on-demand public irrigation service (Percentage)
(iii) Percentage of total energy consumption of irrigation and drainage schemes covered by renewable energy generated by the project (Percentage)
(iv) Number of methods allowing for reliable analyses of food, feed and plants in the areas of food safety, veterinary and plant health as specified by relevant international standards and EU legislation, accredited at the National Reference Laboratory. (Number)

D. Project Description

17. The proposed project includes the following four components:

18. **Component 1: Promoting Climate Smart Agriculture and Access to Markets (US$44 million).** This component aims at supporting resilient and climate smart agriculture, productivity and quality improvements and improving market access through investments to shorten value chains, strengthen resilience of food supply, introduce digital technology and develop a modern and reliable irrigation delivery services and drainage network for high-value agricultural production.

19. **Sub-Component 1.1 Promoting Climate Smart and Resilient Value Chains (US$15 million).** This sub-component will support a resilient food distribution system and promote value addition of agriculture production. Activities under the sub-component include:

(i) **Development of short value chains.** The objective of this activity is to strengthen resiliency of urban food supply, in particular through a better access to market of local products produced in the peri-urban areas of main cities to meet HoReCa[13] and consumers demand for local fresh and safe agriculture products

[13] Hotel, Restaurant and Cafe

supported in particular by an exponential rise of tourism sector in Albania these last years. The project will develop five Micro Food Hubs (MFH) in the peri-urban areas of main cities in the regions of Tirana, Shkodra/Lezha, Vlora, and Gjrokastra to provide better market access to local producers and linkages with urban outlets, while supporting short supply chains and resiliency in urban food supply[14]. The MFH address different gaps namely: (i) create a link between farmers, producers, and buyers; (ii) provide individual farmers and producers the means to market and sell their products together as one larger entity, allowing them the opportunity to sell to high-volume buyers; (iii) offer farmers and producers the ability to receive fair and consistent pricing for their products; (iv) help farmers extend their season which, in turn, helps provide buyers with a more consistent supply of fresh local foods; (v) provide value adding services, including sorting and grading, basic processing, temporary (cold) storage, transportation, and/or packaging to improve products quality and marketability; and (vi) facilitate information flow and sharing. Finally, MFHs decrease transaction costs by providing a single point of purchase for source-identified products from local and regional producers for wholesalers, distributors, retailers, and food-service buyers. The typology identified for the project are small wholesale-type MFH as they focus on selling to small wholesale clients, such as restaurants and convenience and specialty stores.

(ii) **Promotion of typical products and value addition.** The objective of this activity is to enhance rural development through a better integration of the different actors and the development of value-added products. In the last years Albania has witnessed a sharp increase in rural tourism which is key for rural development and drives the demand for local food products from national and international visitors. It participates to the objective of the of the Government of Albania (GoA) to diversify current tourism focus on seaside for a sustainable development of the sector. The project will support the development of two typical food product clusters in the regions of Berat and Dibra. The principle of a cluster is to bring together companies, researchers, trainers, and other partners all working within the same sector to combine their efforts in terms of research and development, promotion or training to benefit from synergies and economy of scales. The main priorities of the clusters will be to create the enabling environment for the valorization of two typical food products (olive oil and processed fruits and vegetables) through the aggregation of producers (consortium), and the improvement of quality and market access with the development of their technical and marketing capacity.

(iii) **Development of a Climate Smart Agriculture (CSA) IT Platform**. The objective of this activity is to collect all the relevant information such as soil type, hydrometeorological data, agriculture practices (e.g. use of fertilizers, pesticides, irrigation, etc.), and guide the farmers toward resilient agriculture practices. The CSA platform data acquisition will be automated via various sensors in weather stations, soil moisture sensors, cameras, etc. Stakeholders of the platform will also be able to enter data (e.g. results of pests monitoring devices) via a web interface and mobile apps. Based on the collected data and stored algorithms, the platform will provide automated recommendations, e.g. for fertilizer and pesticide use. Access to the platform will be provided via web and mobile applications to all interested parties. However, it is expected that, in particular in its initial phase its main users will be farmers and administrations. The project will support the implementation of the platform in pilot areas throughout Albania for a total estimated size of 2,000 ha. The selection of the area will be based,

[14] These locations have been strategically selected in areas of overlap of supply, growing urban, agri-business and tourism demand and in selected cases vicinity with location of the project-supported irrigation schemes.

among others, on the agriculture production area and on potential synergies with other project supported activities. Criteria for the selection will be included in the Project Operations Manual (POM). The project will support (i) the CSA platform software development, and (ii) the purchase of the necessary hardware and of the sensors to be installed in the pilot area to be covered under the project including maintenance.

20. **Sub-Component 1.2 Modernizing Selected Irrigation and Drainage Schemes for High-value Agricultural Production (US$29 million).** This subcomponent will support innovative structural interventions including technology innovations on renewable energy supply for irrigation and drainage pumping stations expected to reduce Greenhouse Gas (GHG) emissions, to advance resilience, productivity, and sustainability of the agriculture sector. Selected priorities have been assessed taking into consideration the government's development priorities, financial viability, technical feasibility (studies and detailed design for the modernization of the irrigation schemes were completed in 2019 under the previous Water Resources and Irrigation Project [WRIP]) and implementation readiness. In particular, modernization of the Divjaka and Mursi irrigation schemes from open channels to pressurized irrigation will allow for better management of water resources and addressing of climate change impact in areas with high value agriculture crops production. Activities under the sub-component will include:

(i) **Modernization and pressurization of Divjaka Irrigation Scheme.** The objective of this activity is to further enhance the competitiveness of irrigated agriculture through reducing water consumption and utilizing cheaper and cleaner energy sources. The project will support: (i) update of the detailed design and bill of quantities to reflect the current situation, and (ii) modernization of secondary and tertiary networks (up to 500 ha) by converting the open channel (or pumping from drains and wells) irrigation system to a new closed and pressurized network. The works will be complemented by installation of 468 pre-paid smart meters and distribution of cards to about 2,000 farmers. Through these activities the project will facilitate farmers access to efficient on-farm water application technologies such as drips and sprinklers and conversion of area-based tariffs to volume-based tariffs. These interventions will allow the adoption of volumetric irrigation water pricing, which will lead to significant water savings, increase in farmers' contribution to the operations and maintenance (O&M) expenses and amelioration of the fiscal burden on municipalities and/or the State. The project will also support the installation of Solar Photovoltaics (SPV) of 500 kWp near the Divjaka pumping stations to decrease the irrigation costs.

(ii) **Modernization of Mursi Irrigation Scheme** downstream of the reservoir. The objective of this activity is to upgrade the scheme from open channel to pressurized irrigation. The project will support: (i) update of the detailed design and bill of quantities to reflect the current situation; (ii) construction of a new pumping station and pressurization of secondary networks at Mursi, Vrina, and Xares fields (up to 2,300 ha); and (iii) installation of 500 kW SPV on the Mursi downstream dam wall. The scheme is generally suitable for growing mandarins, oranges, olives, vineyards, lemon and fruit trees including peach, apricot, plum, quince, and figs. The domestic and export demand for citrus crops of high value varieties has increased thanks to the high quality of citrus production in this area. Some of the citrus growers have already applied an advanced cultivation package, where the irrigation is carried out with drips. The farmers also produce vegetables such as tomatoes, eggplants, peppers, cucumbers, onions, cabbage, leeks, onions, potatoes, and green salads. Entrepreneurial farmers have small and old irrigation systems,

often a single sprinkler, and pump water from drains or private wells. This allows them the flexibility needed for the irrigation process.

(iii) **Revitalization of Lushnja Irrigation Scheme**. The objective of this activity is to develop new alternative irrigation water sources for farmers and re-initiate irrigation services to farmers previously served by the Lushnja branch. The project will support first an analysis of alternative options for supplying irrigation water to the 4,000 ha agriculture area of Lushnja, followed by a prioritization, and complemented by feasibility and detailed design to be developed for the entire arable area of about 4,000 ha analysis. Second, the identified irrigation option could be piloted under the project in an area of up to 800 ha.

(iv) **Modernization of drainage systems**. The objective of this activity is to enhance energy efficiency, reduce operations and maintenance costs, enhance agricultural productivity and farm income. The project will support three major tasks: (i) upgrade and modernization, including the installation of more efficient and flexible modern pumps, of the two drainage pumping stations, namely drainage pumping station no. 2 (in Seman), and drainage pumping station no. 3 (in Darëzez). The two drainage pumping stations together drain about 9,600 ha of the Hoxhara plain in the municipality of Fier, where about 10,000 farmers practice agricultural activity with an average of about 0.8-1 ha per farmer. This activity will serve as a pilot for future investments in the modernization of drainage systems given the importance of drainage in the coastal area of Albania which serves not only for agricultural purposes but also for residential areas and economic activities that take place in this area; (ii) design and installation of SCADA system in the modernized drainage pumping stations with the options to be expanded in the future to other stations, and installation of monitoring sensors in the remaining 25 drainage pumping stations located along the country coastal area to remotely measure water level, energy use from each pump, working hours, etc.; (iii) installation of SPV in all the 27 drainage pumping stations. A detailed estimation shows that for the 27 drainage pumping stations, the potential SPV capacity to be installed is 2,000 kWp and the annual electricity production is estimated to be 2,740 thousand kWh. In 2021, the electricity consumed by 27 drainage pumping stations was 9,750 thousand kWh and the cost was ALL 174 million. The electricity produced by SPV is estimated to be ALL 40 million without VAT and to cover 28 percent of total consumption.

21. **Component 2: Enhancing Compliance with Food Safety and Quality Standards (indicative amount US$22 million).** Activities under this component aim at addressing weak compliance and control mechanisms related to food safety, veterinary and phytosanitary standards which currently impede competitiveness and create market access inequalities both in the local and export markets. The project will provide support to increase institutional capacity to implement the food safety, veterinary and phytosanitary requirements. Activities under the component will include:

(i) **Establishment and upgrading of Border Inspection Posts (BIPs).** The objective of this activity is to increase the Competent Authority capacity to perform official controls (documentary, identity and physical checks) for live animals, products of animal and non-animal origin, plants and plant products as well as agricultural inputs. The project will support the rehabilitation and equipping of six BIPs (in Bllatë, Kakavija, Kapshticë, Qafe Bota, Qafe Thana, and Vlorë) of the 12 currently being in operation, as modernization of other BIPs which are considered important (i.e. with high volumes of produces traded) will be supported through other projects. Rehabilitation of the BIPs will be guided by the Commission Implementing Regulation (EU) 2019/1014 of 12 June 2019 which lays down detailed rules on minimum requirements for border control

posts, including inspection centers, and for the format, categories and abbreviations to use for listing border control posts and control points. This concerns veterinary, food safety and plant health border controls, and in particular means an adequate office space with necessary devices (computers, copiers, scanners, printers, etc., as well as internet and telephone connections), separate area for servicing importers or their agents, adequate space for carrying out physical checks (e.g. a lit roofed ramp where goods can be unloaded, a forklift, etc.), diagnostic support (e.g. microscopes), premises for storage of samples (with refrigerators), premises for storage of seized goods (including cooling chambers), devices and tools for inspections, elements of security to avoid escapes of harmful organisms and pests, etc.

(ii) **Improvement of inspection capacities and diagnostic support in the areas of food safety, veterinary and plant health analyses.** The objective of this activity is to enhance the capacity to more effectively and efficiently carry out physical checks, sampling and sample delivery to laboratories, and laboratory testing of food safety, veterinary and plant health laboratories to enable them to implement the necessary monitoring systems and methodologies for testing according to relevant standards in line with EU pre-accession requirements. The project will also provide technical and financial support to facilitate operational compliance with the EU General Food Law (GFL) Regulation (i.e. EC 178/2002), and a set of EU regulations (i.e. the Smarter Rules for Safer Food – SRSF)[15] for the risk-based protection from diseases and pests which relate to Animal Health (EU 2016/429), Plant Health (EU 2016/2031), and the EU Official Controls Regulation (EU 2017/625) on monitoring and enforcing inspection controls across the agri-food chain. These and other corresponding regulations constitute the backbone of the EU Chapter 12: Food Safety, Veterinary and Phytosanitary Policy. Significant enhancement of all those elements will also greatly contribute to the entire process of harmonization of the Albania standards and requirements with relevant EU legislation related to animal health, food safety and plant health. These will also be in line with the relevant international organization agreements and standards, namely: World Trade Organization Sanitary and Phytosanitary (WTO-SPS) Agreement, World Health Organization and Food and Agriculture Organization (WHO/FAO) Codex Alimentarius, World Organization for Animal Health (OIE), Terrestrial Animals and Aquatic Codes, and International Plant Protection Convention (IPPC). This would greatly contribute to supporting the “One Health” approach which is particularly relevant for food and water safety, nutrition, control of zoonotic diseases, pollution management and combatting antimicrobial resistance. This will also support Albania with meeting internationally recognized food certification requirements, such as GlobalGAP, EurepGAP, Hazard Analysis and Critical Control Point (HACCP), etc. The MARD and NFA have divided analytical and diagnostics activities between the ISUV and 7 NFA laboratories. In principle, ISUV will play the reference role and will also support NFA in doing certain routine analyzes and those which require high expertise. All seven NFA laboratories will be involved in mass-scale routine analyzes. However, three of them (Fier, Korca, and Tirana) will be equipped and prepared for more specific and specialized analyzes which require more sophisticated equipment, better facilities and higher competence. This will allow for better use of existing resources and for more efficient operation.

[15] Smarter Rules for Safer Food – SRSF:
- Animal Health Regulation (EU) 2016/429: a framework for the principles of European animal health – applies from 21 April 2021
- Plant Health Regulation (EU) 2016/2031: controls for protecting plants from disease and pests – applies from 14 December 2019
- Official Controls Regulation (EU) 2017/625: how controls across the agri-food chain will be monitored and enforced – applies from 14 December 2019

(iii) **Development of storage capacity** for detained goods which do not comply with food safety, veterinary or plant health standards. The project will support the construction of 4 highly energy efficient storage facilities, meeting specified safety and environmental requirements, to be placed at the NFA Regional Directorates: Korçë, Shkoder, Tirana and Vlorë. This will allow for detention and storage of questioned commodities and would fulfil the NFA needs in the easiest, cheapest, and most effective way forward.

22. **Component 3: Strengthening Evidence-based Analysis Capacity of MARD and Municipalities (indicative amount US$4 million).** This component aims at establishing a sustainable and effective monitoring and evaluation (M&E) system for agricultural and rural development policy in Albania. Support will be provided to build the monitoring capacity of the MARD and municipalities to increase their ability to measure and analyze agricultural policy impacts to support evidence-based policymaking. Activities under the component would include:

(i) **Development of a consistent and comprehensive data collection system and enhancement of the MARD policy effectiveness and efficiency capacity.** The project will support the establishment of a Business Intelligence (BI) system which will collect and process data from different systems and databases into a single platform that will be used for pursuing evidence-based policy analysis and formulation. The system to be established would be coherent with the M&E frameworks of the Albania Agriculture, Rural Development and Fishery Strategy 2021-2027 and prepare for the Common Agricultural Policy (CAP) 2023–2027 strategic policy framework requirements as described in the recent legislative proposals of the European Commission. Technical support will aim to establish the recording of all relevant indicators (context, output, result and impact) as envisaged in the CAP Performance Monitoring and Evaluation Framework to guide evidence-based decision making in both agriculture and rural development policy in Albania, including associated data collection, surveys, and evaluations. Within this context, the project will bring together and store into one integrated data platform for decision making at central level, all the necessary data associated with agriculture and rural development, compiled by various MARD Departments and Institutions as well as by other bodies. A mapping of data currently collected (in terms of both variables and software/hardware environment) will lead to an assessment of needs and the identification of data variables to be stored in the platform and the necessary software and hardware infrastructure. These actions will be followed by the installation of the necessary software and hardware and the migration of existing historical data into both the integrated platform and the satellite databases specific to MARD Departments and Institutions. In this manner, all databases will be compatible between them and at the same time, able to transmit data variables to the integrated platform, in accordance with future policy analysis needs. Finally, data update and quality control procedures will be specified in detail. Specifically, the project would provide the necessary hardware and software as well as technical assistance and training as necessary. As for the CSA Platform, activities will be procured by MARD in close cooperation with AKSHI.

(ii) **Strengthen of irrigation and drainage performance monitoring and management** at central and municipal levels, through scaling up the use of the Irrigation and Drainage Management Information System (IDMIS) and Geographic Information System (GIS) mapping, already installed in 35 municipalities,

to the remaining municipalities. This activity will support the efficient utilization of IDMIS which was developed under the previous WRIP and installed in 35 municipalities, where the system is already set-up and expanding the system in the remaining 26 municipalities of Albania. This would entail digital mapping of all irrigation schemes and their respective intakes and associated assets that would be georeferenced and digitized. The same map digitalization would be done also for drainage. Finally, the project will provide for training of trainers to ensure the system is utilized by the additional municipalities. As indicated by AKSHI, the system will need to be upgraded and incorporated in the national information system structure. The integration of IDMIS into the national system will not only facilitate data sharing among institutions but also enable technical support from AKSHI and the Ministry of Interior in charge of local government.

(iii) **Project management**, including for, procurement, financial management, safeguards, monitoring and evaluation and reporting. Support will be provided to carry-out project implementation including compliance with fiduciary (financial management, procurement), environmental and social framework, M&E requirements according to the agreed implementation arrangements, i.e. through the establishment of a Project Management Team which will be composed by both appointed civil servants and local consultants. Support for the project implementation will include provision of technical assistance for the day-to-day coordination, additional technical support as needed, as well as for fiduciary (procurement and financial management) and safeguards (environmental and social) requirements; training, equipment, and incremental operating costs to support project management and monitoring, implementation of the grievance redress mechanism and citizen engagement activities. The component will also support surveys as required for monitoring and evaluation of project results and impacts.

Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	Yes
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts

The project activities are multi-faceted and include (i) developing five Micro Food Hubs (MFH) in the peri-urban areas of main cities in the regions of Tirana, Shkodra/Lezha, Vlora, and Gjrokastra to provide better market access to local producers while supporting short supply chains and resiliency in the urban food supply, the MFH is defined as business organization located in about 2-3 and (ii) rehabilitation of Janjari canal (iii) pressurization of a pilot scheme in Divjaka municipality (500 ha) (iv) support upgrading and modernization drainage systems: replacement of the pumping stations in Fier municipality drainage systems and installation of photovoltaic panels to power pumping stations in 27 drainage systems all over Albania, panels to be installed in the roof of the stations or in the near vicinity, within the property of

the drainage boards(v) support the upgrade of equipment and facilities of food safety, veterinary and phytosanitary labs and (vi) support IT system to increase institutional capacity to implement the food safety, veterinary and phytosanitary requirements or additional activities, and (vii) and installation of SCADA (Supervisory Control and Data System,) in all drainage systems.
The small to medium-scale civil works that are linked typically to the potential environmental and social risks from activities of rehabilitation of irrigation canals and upgrade of drainage might cause a variety of low-moderate scale, localized impacts. These impacts are typical, such as construction activities- like generation of noise and dust, solid waste generation, temporary blockage of access and diversion of local traffic due to mobilization of machinery and localized excavation works within public rights-of-way, small-scale impacts on water from improper management of wastes, risk of pollution to surface and groundwater sources during construction, disposal of material excavated during rehabilitation activities, the occupational health and safety of workers during construction and operational phases, and community health and safety risks.

E. Implementation

Institutional and Implementation Arrangements

23. The Ministry of Agriculture and Rural Development (MARD) will be the lead project implementing agency and will have overall responsibility for project management, implementation, and monitoring and evaluation (M&E). The National Food Authority, the Institute for Food Safety and Veterinary, the National Authority for Veterinary Control and Plant Protection, the Regional Directorate of Irrigation and Drainage and the National Agency for Information Society will be supporting implementing and beneficiary institutions/agencies.

24. A Project Management Team (PMT) will be established in MARD. The PMT will be headed by an appointed civil servant that will serve as Project Coordinator and include: a Project Manager, Component Leaders, Procurement Specialist, Financial Management Specialist, Environmental Specialist, Social Specialist/Gender focal point and Technical Specialists (i.e. engineer, IT, etc.) as deemed necessary to support the implementation of the project. The MARD will appoint civil servants as Project Coordinator, Component Leaders, and M&E Specialist. Civil servants in supporting implementing and beneficiaries' institutions/agencies will be appointed as focal points for the various activities. Given the demanding specific requirement for the implementation of the project technical assistance will be recruited for day-to-day project coordination, fiduciary and safeguards functions, and technical advisory along with training, office equipment and incremental operating to support overall project management.

25. The PMT main responsibilities will include: (i) day-to-day project management; (ii) coordination and cooperation among various government agencies institutions; (iii) preparation of annual work plans and budgets; (iv) preparation and regular update of the Procurement Plan; (v) preparation of quarterly unaudited financial reports and annual audited financial statements; (vi) M&E of project activities, including measuring and updating of the results framework indicators, and monitoring and reporting on ESF compliance; (vii) preparation of semi-annual and annual progress reports; (viii) briefing of MARD on the status of project implementation; and (ix) systematic filing of all project-related documents, including procurement and financial management.

26. A Technical Committee, led by the Project Coordinator and involving Project Manager, Component Leaders, as well as any additional staff as necessary will be established to ensure coordination at the operational

level. The committee will include any technical staff on a case-by-case base according to the topics to be discussed and should meet at the least once a month to ensure there is good progress in planned activities, or in case it would identify bottlenecks and solutions to move forward.

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