



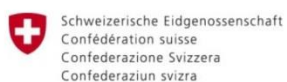
Gender-Sensitive Research on Advocacy Needs in Agro-processing

Report by: SECED- SouthEast Europe Center for Economic Development

(Submitted in April 2014)

(Edited by RisiAlbania- October 2014)

Mbështetur nga:
Supported by:



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
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Swiss Agency for Development
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Implemented by:



Acknowledgements

We would like to express our appreciation to all the stakeholders that we interviewed for their invaluable input and insights that became an integral part of the study. We would also like to extend special thanks to RisiAlbania reviewed and provided constructive feedback and comments to several components of this study.

Table of contents

1. Introduction	6
1.1. Rationale for the study.....	6
1.2. Methodology and content structure	6
2. The political, legal, and institutional constraints for Agro -processing	7
2.1. Policy constraints for the Agro -processing industry.....	7
2.1.1. Fragmented policymaking and executive functions	7
2.1.2. Non-applicable policy measures due to absence of action plans.....	8
2.1.3. Frequent cases of non-participatory formulation and monitoring of subsidy schemes	8
2.1.4. Limited access and information for women in supportive schemes	9
2.2. Legal and institutional constraints	9
2.2.1. The enforcement of food safety and quality requirements.....	9
2.2.2. Fiscal and administrative constraints	11
2.3. Other constraints related to low awareness	13
2.3.1. Consumer protection policies and advocacy is still weak	13
2.3.2. Low awareness on waste management	13
2.3.3. Weak role of FDI in the development of the agro-processing sector.....	13
2.4. Selection of main constraints and criteria used	14
2.5. Main reasons why policy, institutional and legal constraints have not been tackled ..	19
3. Mapping of the stakeholders and advocacy capabilities	20
3.1. APs associations and umbrella associations.....	20
3.1.1. Level of cooperation among APs within the sector	22
3.1.2. The performance of the associations	22
3.2. Government as second actors and the policy dialogue established between government and business	26
3.2.1. The central government	26
3.2.2. The local Governments	27
3.2.3. The consultative councils and GoA-APs relations.....	27
3.3. The “third” influencing groups	30
3.3.1. The role of media.....	30
3.3.2. The role of donors	31
3.3.3. The role of academia	32
3.3.4. The role of Civil Society.....	32
3.3.5. The role of consumers	32
3.4. SWOT Analysis and determinants of limited advocacy activity.....	33
3.5. Pre-requirements for success	34
Bibliography	36

List of Abbreviations

ACER- Albanian Center for Economic Research	ILO-International Labor Office
ADAMA- Albanian Dairy and Meat Association	IPA-IPA Adriatic CBC Program
AGC- ALBANIAN AGROBUSINESS COUNCIL	IPARD- Instrument for Pre-Accession Assistance in Rural Development.
AMIPA-Albanian Meat Imported and Producer Association	IPS- Integrated Planning System
AOA-Albanian Olive Associations	ISARD- Inter-Sectoral Strategy for Agriculture and Rural Development
APCEM - Albanian Producer, Collection, Processors and Export of Medicinal Herbs	MAFCP- The Ministry of Agriculture, Food and Consumer Protection
BAC- Business Advisory Council	MAPs- Medicinal and Aromatic Plants
BTI- Bertelsmann Transformation Index	MARDWA- Ministry of Agriculture, Rural Development, and Waters Administration
CIPE-INTERNATIONAL PRIVATE ENTERPRISE	MBP- <i>Mid-Term Budget Program</i>
DANIDA - Danish International Development Agency	MEDTE-Ministry of Economic Development, Trade and Entrepreneurship
EC-European Commission	METE- Ministry of Economy, Trade and Energy
EFB- European Fund for the Balkans	MTBP- Medium-Term Budget Programme
EPCA- Essential Oil and Cultivator Association	NFA- <i>National Food Authority</i>
EU-European Union	NGO-Non-governmental Organization
FAO-Food and Agriculture Organization	NLC- <i>National Licensing Center</i>
FDI- FOREIGN DIRECT INVESTMENTS	NRC- <i>National Registration Center</i>
FES- Friedrich Ebert Stiftung	NSDI- National Strategy for Development and Integration
GHP- Good Hygiene Practices	OSFA-Open Society Foundation Albania
GIZ-German Agency for Technical Cooperation	SDC-Swiss Development Cooperation
GMP- Good Management Practices	SHGPAZ-Shoqata e Grave Profesionliste, Afariste dhe Zejtare
GoA-Government of Albania	SMEs-Small and Medium Enterprises
GVA- Gross Value Added	UNDP-United Nations Development Program
HACCP- Hazard analysis and critical control points	USAID-United States Agency for International Development
IFC-International Finance Corporation (World Bank)	
IFDC- International Fertilizer Development Center	

Executive summary

Since the inception phase, the RisiAlbania Project team has identified that the policy environment concerning agro-processing is not sufficiently conducive to growth. The reason for this lies with several policy-related constraints and the inability of agro-processors to advocate for addressing them. Therefore, in order to design adequate policies for intervention, there is a need to identify the main constraints that relate to policy issues.

In order to achieve this objective, the team of consultants followed a combination of analyses of constraints with the stakeholder analysis based on findings of a qualitative survey made with agro-processors (APs¹), and a survey administered by experts and other advocating organizations (EOs). The constraints analysis underlies the main problems hindering the sector growth, whereas the stakeholder analysis identifies the main potential partners who would lead to change to the policy environment. The results of the two surveys and the literature review are used to develop the recommended interventions. From a wide variety of identified constraints, below is a list of the key constraints suggested for the intervention. These are based on the likelihood of a constructive dialogue and the positive, successful change of the policy environment, the internal capacities of the advocating actors involved, and the impact of this advocacy on job creation.

i. The key identified constraints

The main constraints identified in the analysis are the following:

Constraint 1: Low access to policymaking and support schemes due to: i) Non-applicable policy measures due to an absence of action plans, ii) frequent cases of non-participatory formulation and monitoring of subsidy schemes and, iii) limited access for women to supportive schemes.

Constraint 2: Weak system of safety inspections and ineffective monitoring of unlicensed APs.

Constraint 3: High cost of fuel used for operating the processing line / machines due to the increasing excise (a tax levied on certain goods and commodities produced or sold within a country and on licenses granted for certain activities) on fuel.

ii. Reasons for not tackling the constraints

The main reasons for Agro-processors not tackling the constraints are both various institutional and legal constraints. The most important constraints are as follows:

1. Low capacity and limited role of the business associations on advocacy
2. Low trust in the state's response to cases of strong advocacy due to weak relations between businesses and public institutions inherited from the past.
3. Lack of education and information among the APs regarding the policymaking process, legislative, and administrative changes.

¹ See Appendix 7.3 for the list of acronyms used

1. Introduction

1.1. Rationale for the study

During the inception phase of the RisiAlbania project, its team² identified that the policy environment concerning agro-processing is not sufficiently conducive to growth. The reason for this is due to several policy-related constraints and the inability of agro-processors to advocate for addressing them. Therefore, in order to design adequate policies for intervention, there is a need to identify the main constraints that relate to policy issues and recommend how to address them in cooperation with, and for the benefit of, the agro-processing sector in Albania. Therefore, RisiAlbania required a thorough study from the team of experts in order to:

- Conduct an analysis of the *current situation* of main policy constraints hampering the development of the Agro -processing sector
- Assess the policy environment and the likelihood for policy change
- Identify potential actors for leading the required changes and potential partners who may join a unified advocacy agenda

1.2. Methodology and content structure

The report explores the experience of Agro-processors (Aps) and experts as well as organizations with advocacy potential (EOs) within the policy, legal, and institutional framework. In order to achieve this objective, the team of consultants followed a combination of constraints analyses with a stakeholder analysis based on the findings of a qualitative survey made with APs, and a survey with EOs. The constraint analysis underlines the main problems hampering the sector, whereas the stakeholder analysis identifies the main potential partners leading to the change in the policy environment. The results of the two surveys and the literature review are used to suggest interventions for an environment around agro-processors that is more conducive to growth. The results are presented both through narrative and synthesized estimations displayed in tables and schemes.

The study is based on a qualitative method of inquiry as this best meets the objectives of the study. The qualitative/exploratory approach used to collect the perception of APs and other actors in the sector does not require a statistical representative sample. However, the team of consultants carefully selected the APs using various indications in order to gather a comprehensive sample of APs opinions based on various features. The group was composed of 30 APs and the selection

² The RisiAlbania Project is funded by the Swiss Agency for Development and Cooperation SDC and implemented by a consortium consisting of HELVETAS Swiss Intercooperation and Partners Albania. The overall goal of the project is to contribute in increasing employment opportunities for young women and men (age 15-29) in Albania. This goal will be achieved through (i) enhanced growth and job creation by the private sector in three selected subsectors (*agro-processing, tourism and ICT or garment and footwear*) and (ii) improved access to job opportunities and interaction between private sector (labour demand) and young women and men (labour supply).

considered the following features: 1) size (both in terms of turnover and employee numbers) where 26% of APs interviewed were small, 34% were medium and the remaining part of the sample were composed of large units; 2) Geographical area including 9 of 12 regions of Albania except Diber and Kukes; 3) Coverage of all 10 representing subsectors; and 4) gender significance (both in terms of employees and ownership) where 10% of the sample was composed of units with women in high level of management (owners, operators, managers, and department's heads) and 70% of the sample with the majority of the labour force being women. Special considerations were given also to the selection of the EOs sample. A sample of 24 EOs were interviewed covering 2 decision makers, 12 business representative bodies, 4 people from academia, 2 donors as well as 4 individual experts and one bank representative.

2. The political, legal, and institutional constraints for Agro -processing

Food processing is a relatively small economic sector in Albania. In 2012, Gross Value Added (GVA) in the food industry amounted to EUR 66 million and total number of employed was 11,300. The most important food-processing industries in Albania, in terms of Gross Value Added, are bread and flour production, soft drink production, milk, and meat processing industries. There are 2200 companies in the food processing industry and 90% of which are micro companies. The sector is dependent on domestic investments since FDI is rather low in the sector (2.3% of the sector GVA). The quasi-total lack of integration along the value chain is the main factor that has slowed sector development (DSA, 2011). This situation greatly affects growth in the sector and results in constraints in Agro -processing as follows: i) extreme fragmentation of primary production, ii) inadequate legislation on food safety, quality, and taxation as well as difficult application of existing norms on formal operations iii) lack of vertical integration between the producers of raw materials and the processing industry and iv) low access to capital and marketing services and weak policy support compared with neighbouring countries (ibid). Below we will explore the policy-relevant constraints that stand in the way of business growth in agro-processing.

2.1. Policy constraints for the Agro -processing industry

There is a wide policy, legal and institutional framework regulating the activity of the agro-processing sector. This chapter analyses the sector's policy and regulatory framework and the main constraints that hinder its growth. The results are based on a thorough literature and legal review as well as the findings gathered by the surveys administered to APs and Eos.

The policy review identified four policy constraints:

2.1.1. Fragmented policymaking and executive functions

The policy framework addressing the development of the agro-processing sector is fragmented in various policy documents and institutions. A policy gap remains in achieving the coherence and alignment of the inter-sectorial strategies with each other as well as with the regional development strategies based on the National Development Priorities. In 2005, the Government of Albania adopted the Integrated Planning System (IPS), a set of operating principles to ensure that government policy planning and monitoring as a whole takes place as efficiently as possible. This is a positive step towards more coherent and coordinated policies. Moreover, the transfer of the fish directory from the Ministry of Environment to the MARDWA is a positive step in the direction of avoiding duplication of responsibilities between ministries. However, despite the existence of the IPS

and the merging of the fish and the agriculture sectors, there is still a sense of doubt among the EOs on how the GoA will link the policy documents³ concerning the coordinated support to the agro-processing sector. Assuring coherence and coordination among these strategies remains a challenge for Albanian policymaking and executive institutions in the field of Agro-processing.

2.1.2. Non-applicable policy measures due to absence of action plans

An action Plan for issues related to ISARD (food safety, veterinary and phyto-sanitary issues) is missing, therefore weakening the concrete implementation of the policy measures. Policy prioritisation has not been properly followed by the budgetary formulation in the past due to no detailed Action Plan. The current policy agenda covering the sector is expected to improve compared to the policy implementation gap inherited from the past⁴. ISARD currently is introduced based on specific measures and targets as well as detailed costs according to the policy areas including the agro-processing sector. However, an Action Plan is missing for improving the food safety, veterinary and phyto-sanitary issues in the framework of the ISARD. This is required in order to guide the revisions needed for the legal approximation with the EU Acquis, capacity building, and coordination.

2.1.3. Frequent cases of non-participatory formulation and monitoring of subsidy schemes

Subsidy scheme formulation is not transparent and is not monitored from the stakeholders. Therefore, funding is vaguely distributed according to the interests of APs⁵. Throughout recent years there have been positive cases of active involvement of EOs⁶, as well as cases that lack involvement. Examples would include cases of the fruit and vegetable and fish sectors. MARDWA is not always adhering to a standard procedure of consulting with stakeholders; despite the fact that there has been a strong participatory approach in the case of ISARD preparation. Some subsectors (fruits and vegetables and fish processing), as well as a part of the operators (particularly women entrepreneurs), have limited access to the national policy schemes of support. The Government Policy Program for the period 2013-2017 has promised to revise the national scheme of support in order to strengthen the link between primary production (farming) and Agro -processing. However, the AP's claim the General Directorate of Agriculture Services and Fishery, responsible for the

³ The National Strategy for Development and Integration (NSDI), the Inter-Sectoral Strategy for Agriculture and Rural Development 2014-2020 (ISARD) and the Medium-Term Budget Programme (MTBP), and the Strategy of Business and Investments Development 2014-2020 (SBID), The strategy of Employment and Skills 2014-2020 and other related documents presented in Appendix 1.8

⁴ Till 2013 the main sector strategy for the development of agriculture and food was the 'Agriculture and Food Sector Strategy' 2007-2013 and later on the Rural Development Strategy 2007-2013. Both strategies were non complementary, mostly focused on competitiveness rather than on other fields and the budget share given to the primary production was the largest.

⁵ During the period 2012-2013, there were only 3 schemes applied for APs such as i) Support through the subsidy of the interest rate, ii) Guarantee fund and iii) support of extra virgin oil production (payment per liter). According to the interviews with APs, the National Scheme of Support to Agriculture is highly fragmented (17 schemes for 7 Mln Euro).

⁶ Interviews with EOs show that various representatives from organizations such as the Albanian Council for Agriculture, Albanian Olive Associations (AOA), Albanian Dairy Meat Association (ADAMA) and Albanian Essence Producer and Cultivators Association (EPCA) have been involved sporadically in some meetings carried for the design of the National Support Schemes. However other sectors have not been involved and moreover in cases when stakeholders have been participating in some occasions, according to the respondents, there are no clear criteria used for their representation.

National Support Scheme on Agriculture, is still not following a standard procedure of consulting with stakeholders as representative groups or associations before designing the schemes. The same is applicable to other government schemes that include the planned scheme of support for olive oil within the framework of "Sustainable Development of the Albanian Olive sector", where APs are not a part of the Steering Committee.

2.1.4. Limited access and information for women in supportive schemes

Women have limited access to support schemes. The lack of networks, political power, and legal education and the low awareness of the importance of female entrepreneurship from the government exclude women from policymaking and policy interventions. The low access of female beneficiaries in the Albanian Competitiveness Fund (18 of 98 projects), National Support Scheme in Agriculture (no information and institutionally hampered from the lack of women legal representation as farm holders /managers), IPARD Like program (no winners in the first and second round), innovation fund, and other similar services and funds aiming to improve entrepreneurship, indicates that the existing programs have not yet made strong efforts to involve female entrepreneurs during the drafting and promotion phases. It is likely that the more female entrepreneurs or companies with a high number of female employees will access support schemes, their willingness to be formalised will increase. Institutions responsible for the women access to support activities are MARDWM, METDE, MSWY as well as MoF.

2.2. Legal and institutional constraints

There are various legal documents and institutions regulating the development of the agro-processing sector. The following sections will summarize the main legal constraints based on the type of influence and level of enforcement they have.

2.2.1. The enforcement of food safety and quality requirements

The discussion regarding food safety often leads to the lack of adequate legal and institutional structure and a fragile rule of law covering safety due to low awareness from consumers and policymakers. The main problems regarding food safety are: i) lack of bylaws which regulate the coordination and allocation of tasks and responsibilities for applying properly to Food Law⁷ ii) weak enforcement due to low cooperation and communication between competent authorities of the food safety system at central level as well as between central authorities and field offices in charge of legislation enforcement, and iii) an unaccomplished legal framework for food quality. More specifically, the main problems constraining the achievement of safety standards on food processing are introduced in the following subsections.

2.2.1.1 Weak performance of Law no. 9863/08 "On food", due to partial formulation of secondary legislation

⁷ Law "On Food" amended by Law no. 10137/09, regulates the main aspects relevant to food production, mostly in the perspective of food safety. It sets the general rules to be followed in food production and represents the legal basis for a policy thrust towards formalization of APs, strongly advocated by EC and by the Government.

Secondary legislation in safety is partially developed. Only parts of the bylaws have been written anew, in a fully coherent way with the new legislation⁸. For a full range of issues previous regulations remain in force, leaving a vacuum on the secondary legal base. Until now, products such as olives and olive oil, wine, fresh and processed fruit and vegetables, and Medicinal and Aromatic Plants (MAPs) are not yet regulated in the form of comprehensive MTR (Safety)⁹, but some safety and quality aspects are regulated by previous norms.

2.2.1.2 Weak system of safety inspection and ineffective monitoring of unlicensed APs

Insufficient enforcement on existing laws on food safety and quality as well as market surveillance exist due to low political willingness to enforce (as declared by the respondents and the review of literature, see 2008; Leonetti and Kristo, 2010), limited power, and low capacities of the staff and unregulated coordination for implementing the law (Chanhalbrend and Fantle-Lepczyk, 2013; GIZ-IPARD, 2013). The main issues relevant to the Law on food are related to the need for a gradual enforcement of the existing rules (if all APs should comply with HACCP principles, most of them would be closed). Interviews with experts of ADAMA have mentioned the need for a transitory phase to achieve this requirement rather than continuing to place ambitious targets. No control is carried in those units, which are not registered and licensed, whereas registered APs are subject to systematic control. This constrain represents a major obstacle for the enterprises willing to compete according to the rules. Such duality increases unfair competition, supporting a competitive culture in Albania that is not conducive to growth. This issue is frequent in all the Agro-processing subsectors but with higher intensity on milk¹⁰, meat¹¹, wine¹² and fruits and vegetable¹³ sectors. National Food Authority (NFA), Tax Directory and Customs Directory are the main responsible institution for enforcing the inspection.

2.2.1.3 Partial formulation of a legal framework for food quality

The food quality legislation remains developed in line with EU requirements for branding (e.g. Organics, Protected Designation of Origin (PDO)/ Protected Geographical Indication (PGI), traditional products). Recognition in the market is essential for the consumers to purchase guaranteed quality products. In addition, the (voluntary) standards of the General Directorate of Standardization (GDS) are still in force. The legal base on food labelling: DCM No. 1344/08, "On the

⁸ The bylaws written anew and replacing elder regulations are relevant to: i) the specific food safety requirements of food products (so-called "Hygiene package"), ii) to key products of animal origin products, as meat and meat products and milk and dairy products and iii) products which are already exported or where a potential for export was demonstrated, as bivalve mollusks and eggs.

⁹ The Minimal Technical Requirements (Safety) defining the requirements in collecting and processing the food products and the methods to be used in processing and analyzing samples of these products, and the Minimal Technical Requirement (Quality), defining the characteristics of the product required for grading (size, defects, maximum share of products in a lot that can be not compliant with the grade etc.).

¹⁰ For every formalized processing unit (about 430 in 2013) there are two or more informal ones.

¹¹ See <http://www.aku.gov.al/aku/?p=1142&lang=en>

¹² The output of wine is growing, but still most of production (about 90%) is informal. Official statistics for 2009 show a production of 25,000 hl of wine, while total output is estimated in 260,000 hl.

¹³ There are 26 formal processing units and many other informal. The high informality of this sector may be detected by the difference between declared production of processed fruit and vegetables and declared exports, showing that Albania is exporting more than it produces.

approval of rules on labelling of food products” does not comply with the actual diversity of the products. The “SSH” 1987 standard (Albanian Standard / Standarti Shqiptar) applied is out-dated as it defines only the diversity of existing products in Albania in 1987 (for example the law regulates the basis for the production of 3 kinds of cheese in that time, whereas now there are around 18 types of cheese). The issue poses problems to the companies who want to promote their products and it creates unfair conditions for market competition. The MARDWA General Directorate of Agriculture Services and Fishery is responsible for processing and approving applications for brand and label registration.

2.2.2. Fiscal and administrative constraints

Recent fiscal changes have marked a slight increase in excise of alcoholic beverages and petrol¹⁴. Moreover, the VAT tax possesses constraints on those sectors where raw material suppliers are not registered. The issues are detailed as following:

2.2.2.1 Ineffective and distorted implementation of the VAT regime

Law no.7928/95 “On Value Added Tax” as amended by laws increase the costs (the price of sale) of the Agro -processed products since the VAT tax was levied on processed products only, not to the primary agriculture products from the farms (which become primary inputs for Agro -processing). This discrepancy remains as long as farms are not legally registered. Therefore, few purchases from the farms are done with VAT receipts. The interviewed APs, especially in the sectors where primary sources are domestically provided, are strongly concerned for the registration and provision with VAT receipts of the farms. The small operators, which are mostly informal, do not see it as an impediment since they sell without VAT receipts. The VAT identification of the farms is strongly linked to the accomplishment of the farm register system, which lies under the responsibility of MARDWA. According to the respondents from APs and EOs survey, the government has not prepared a remedy to this problem, due to weak communication with APs and lack of efforts to reduce informality in the primary agriculture sector.

2.2.2.2 High cost of fuel used for operating the processing line / machines due to the increasing excise on fuel

The increase of the price of fuel in the last two years raises the AP’s costs in the sectors of fruit and vegetable processing and milk. Interviews with APs in the fruit and vegetable and milk sector claimed that compared to other countries in the region, higher costs resulted from raising excise of fuel, used in the processing line / machines. The excise on fuel is 43 ALL per litre according to Law no.61/2012, without taking into consideration the carbon tax of 3 ALL per litre. This tax differs from neighbouring countries such as Croatia, which applies a zero excise scheme upon the use of a fuel technology card for agricultural purposes. The excise in Albania was and still remains refundable for fuel used in agro-processing units. The scheme is based on the declaration of APs based on the quantity of the final products defined in VAT receipts. Based on this declaration and a pre-evaluated

¹⁴ Law no. 180/2013 on amendments and additions to Excise Duty Law and Law no.61/2012, “On Excise in the Republic of Albania”

rate of the fuel required per unit of production, customs office provides full reimbursement of the excise. During 2010 (Zhlilima et al, 2011), no APs interviewed were found using this scheme. The same was confirmed by the late interview carried with APs. Interviewed APs claim that the Customs Directory does not positively apply such procedures and there exists a reasonable fear of being unjustly targeted for selective scrutiny, if applications for excise exemption are filed. Moreover, no serious government efforts have been observed by the APs in reviewing procedures. According to APs interviewed, the scheme is too complicated, opaque, and few have tried to implement it due to fear of inspectors. During the recent months, the fishery sector has been promised an exemption from the excise on fuel, which until now is not officially defined. MADWA, Ministry of Finance (MoF) and Custom Directory are responsible for the excise exemption policies.

2.2.2.3 Implementation of an excise regime on wine reduces competitiveness

APs in the wine sector claim that high costs are created by the excise regime placed on wine. The excise levied for (domestic and imported) wine as an alcoholic drink is 3000 to 12000 ALL per Hl depending on the type, production, and quantity (Law No.61/2012). According to APs opinions this excise reduces competitiveness compared to other countries. APs noted that other countries such as Italy and FYROM consider domestic wine with an alcohol content of 14% as a nutrient element and thereby exclude it from the excise regime. Another related constrain, which reduces liquidity in the APs of wine is the prepayment of the excise label in Euros (and increase of 70% of tax label costs compared to 2012) regarding alcoholic drinks. According to the excise regulations, the APs have to pay the excise value once for the entire production period. The institutions responsible for the excise regime are the MoF and the Custom Directory, whereas MARDWA is responsible for the policies of wine sector development.

2.2.2.4 Administrative inefficiencies at custom procedures

Administrative procedures at customs are slow which increases the risk of delays in input supply and product losses. There are concerns expressed from the APs regarding the low capacities of veterinary services in the customs as well as other administrative services regarding procedural management of food products, especially of animal origin. Examples were provided by the APs in the meat and fruits and vegetable sectors. In some cases, imported raw materials for meat were blocked due to no recognition of the HS code of meat raw materials. Similar delays occurred during the export of new products for which there was no previous institutional practice with providing basic documentation for newly exported agro-food products (e.g. veterinary certification for newly exported products). National Food Authority and Customs Offices are the responsible institutions.

2.2.2.5 High reference prices

The attempts of the government to reduce the informality have created a basis for introducing reference prices (determined prices of products according to the market prices) rather than contract prices used for tax purposes. APs importing raw materials from non EU/USA countries experienced an increase in reference prices subject to VAT and tariffs defined by customs. Such prices increase the input costs imported from APs. This constraint was verified in the interviews with APs in various industries such as meat and milk.

2.2.2.6 High costs of primary agricultural products due to fragmented land structure, high costs of agriculture inputs and packaging

High costs of primary agriculture products (primary inputs for Agro -processing) are due to high land fragmentation and high costs of agriculture inputs (fuel, seeds and agrochemicals). Secure property rights are key factors in promoting investments and developing an agricultural land market which is indispensable to achieve consolidation of the highly fragmented agricultural production base in Albania. The current challenges for Albanian land policy-makers remain the same as those from a decade ago: to reinforce land rights and re-establish a functional land policy framework in order to support a more active land market. MAWRDWA and the Ministry of Justice have promised in 2014 to revise the Law 7501 in order to clarify the land documentation for unregistered land in Albania as well as to distribute the land titles for those landholders not possessing property documents (GoA Programme 2013-2017). Also, high taxes exist regarding imported agrochemicals (VAT is not exempted as in neighbour countries) which are promised to be exempted or reduced by the GoA Programme of 2013-2017, though no concrete steps have yet occurred. MARDWA and MoF are the responsible institutions for the VAT on agrochemicals.

2.3. Other constraints related to low awareness

2.3.1. Consumer protection policies and advocacy is still weak

Consumer protection and market surveillance are still weak. The Consumer Protection and Market Surveillance Policy coordinated by MARDWA ended in 2013. METDE has drafted the Consumer Protection Strategy 2014-2020, which does not cover Market Surveillance, and is not focused only on food products. The Consumer Protection and the Commission (CPC) has held regular meetings and has handled complaints, but not in the food-related field. The CPC and the Consumer Protection Unit continued their consumer awareness activities. The online complaint system functions, but the respective website is not properly updated. High constraints relate to linkages between the work of the CPC and the NFA and other institutions safeguarding product safety (EU, 2013).

2.3.2. Low awareness on waste management

A particular weakness of the agro-processing industry is waste disposal. There are no liquid or solid waste disposal systems in place in the APs production units (GIZ, 2010, Leonetti and Kristo, 2012). In general, liquid and solid residues (waste) are not treated according to hygiene and environment requirements, but are directly disposed into sewer channels and dumped into landfills. Interviews revealed lack of awareness on waste management importance since none of the APs mentioned it in their key constraints for the near future. NFA is the responsible institution for guiding and enforcing the waste management standards and aligning them with EU requirements.

2.3.3. Weak role of FDI in the development of the agro-processing sector

FDI is still low due to various impediments linked with the raw materials (the quality, quantity and price of local raw materials) as well as unfair market competition created by informal producers, which frequently have not complied with food safety and quality standards. Few APs mentioned the low presence of the FDI in the sector. Meanwhile, EOs perceives FDI as a leading actor of sector change. However, there is no specific policy for facilitating the presence of the FDI in this sector. METDE and MARDWA are both responsible for promoting and attracting the FDI presence in the sector.

2.4. Selection of main constraints and criteria used

In order to select the key constraints, a multi-indicator approach is used. In order to filter the main constraints, there are four indicators which consist of the following: (i) the likelihood of a constructive dialogue, (ii) the likelihood of a successful change in the policy environment for the better, (iii) the internal capacities of the actors involved to advocate, and (iv) the impact of this advocacy on job creation. Another important indicator is the potential for success in tackling the constraints. These indicators are assessed based on the perception of the APs and EOs as well as the literature review. For each indicator is used a scale from 1 to 5, where 1 is very low and 5 is very high. Please refer to Table 1 below for the performance indicators for each constraint.

Table 1: Key constraints and potential for success (Evaluation based on 1-5 scale)

Section	Subsection	Key constraints	The likelihood of a constructive dialogue-positive stakeholders (from 1 to 5)	The likelihood of successfully changing the policy environment for the better (from 1 to 5)	The internal capacities of the actors (from 1 to 5)	The impact of this advocacy on job creation (from 1 to 5)	Potential for success in tackling the constraint (from 1 to 5)
2.1	2.1.1	Fragmented policymaking and executive functions	(1)Several institutions are involved, which requires a plurality of actors	(2)There is no potential to change this environment without the willingness of the government	(2) Actors lack capacities to encourage and advise the GoA on coordinating the policy frame	(3)The impact is limited by the enforcement of the policies rather than its coordination per se.	(2) No potential for advocacy since DSDC and CM may enforce the IPS (see Appendix 7.4)
	2.1.2	Non-applicable policy measures due to absence of action plans	(4) Action plans are officially required to be carried based on dialogue and established mutual trust/therefore there is space for cooperation	(4) Most of the Ministries accompany their strategies with Action Plans, thus MAWRDA will be pressured to not lag behind	(4)Capacities of the actors to promote and help MAWRDA on designing the action plan measures are satisfactory	(3) Action plans enable the design of concrete measures, which if implemented and monitored correctly become applicable in the market environment	(4) Great outcomes can be achieved by assisting the APs associations with information training and advocacy activities.
	2.1.3	Non-participatory formulation and monitoring of subsidy schemes	(4) All APs and EOs agree on these constraints. Dialogue is achieved by selecting groups of representatives for each subsector.	(4)There has been positive progress in cases where reaction has been built upon a good strategy of intervention.	(4)There exist the necessary experience and the capacities for properly setting up platforms of communication to involve representatives	(4) Increased information on support schemes and the design of the support schemes according to the interests of APs will add value to their current and future investments.	(4) Advocacy activities and capacity building are required to promote the stakeholders participation in the formulation of subsidies
	2.1.4	Limited access and information for women in supportive schemes	(3) A part of APs and all EOs agree on these constraints therefore the dialogue on the demand is achieved.	(4) There has been positive change in the recent months towards women entrepreneurship initiatives which should be further developed.	(4)There exist the experience, funding (several donors interested) and the capacities for properly setting up platforms of communication for both state institutions and associations (see: www.ligjet.org and http://www.infocip.org/en/) with focus on women APs	(4)If subsidies are oriented to women-led APs this may reduce the inactivity of females in the labour market and increase the diversification of income for rural women	(4) Strong potentials for advocacy activities and capacity building is required to promote women's involvement

2.2.1	2.2.1.1	Weak performance of Law no. 9863/08 "On food", due to partial formulation of secondary legislation	(2) A part of the small APs would disagree on these constraints therefore the dialogue on the demand is low.	(3) There is low success for improvements since a part of the APs disagree and the safety legal framework is pushed by EU requirements	(3) A part of the APs have neither the awareness nor the capacity to design and promote the implementation of safety requirements	(2) Negative spill overs may result by the additional costs coming from the safety regulations in short run.	(2) No capacities for involvement as safety is part of the GoA agenda to comply with Acquis under EU assistance
	2.2.1.2	Weak system of safety inspection and ineffective monitoring of unlicensed APs	(4) High for meat, milk, fishery and fruits and vegetables.	(4) High if the intervention is accompanied with an increase of awareness for the consumers and a proper media campaign	(4) High if trained in legislative advocacy and media advocacy	(3) Negative spill overs may be created by small informal APs closure, In a second step efforts should be arranged for subsidy schemes on the sector (carrot approach).	(4) Involve to a greater extent representatives from claimants sectors such meat, fruit and vegetables, fish, and milk sector.
	2.2.1.3	Partial formulation of the legal framework for food quality	(3) Dialogue is hampered by the lack of awareness of the requirements for the quality categories	(3) Success is strongly related with the priority of the MAWRDA since the safety issue is more important while quality concerns are voluntary.	(3) Low capacities are revealed from MARDWA since most of the draft documents are promoted by the donors	(4) Improvement of quality increases the sales and exports, thus boosting employment.	(3) Low relevance (more on poultry and meat processing, fish)
2.2.2	2.2.2.1	Ineffective and distortionary implementation of the VAT regime	(2) Dialogue is hampered by the lack of mutual interests among APs in formalising their purchases to farms	(2) Success is strongly related with the farm register and other attempts to formalise the primary sector	(3) Low capacities to engage in the advocacy due to low willingness from informal and small APs	(4) Reduction of costs and increase of sales and employment.	(3) Potential intervention in regulating the introduction of the VAT is strongly related to the farm register.
	2.2.2.2	High cost of fuel used for operating the processing line / machines due to the increasing excise on fuel	(4) High for dairy, fruits and vegetables processing (formal)	(3) Low due to conflicting interests within sectors as may require further formalisation of the processing units. Moreover resistance may emerge from the administration since the Albanian state may lose approximately 800 Mln ALL from the excise exemption	(4) High if technical capacities are offered for evaluating the best schemes and intermediating with the government in a series of roundtables.	(4) Excise exemption would lead up to 15% decrease of costs in the case of processed fruits and vegetables. The decrease of fuel costs may raise the need for more operating power. Fishing and milk industry have much more influence in case of excise exemption.	(4) Potential intervention on advocacy activities since there exists a legal base for reimbursing the excise on fuel for heating

2.2.2.3	Implementation of an excise regime on wine reduces competition	(3) High for wine producers and if improvements are made on the overall excise regime there may be space for beer and spirits	(3) Low due to the requirements of the state to increase income from excises.	(3) Low since the wine associations are fragmented and moreover there is no significant inequality created since both domestic and imported wine is subject to excise	(4) Reduction of costs and increase of employment	(3) In time of crises the efforts for exemption are very difficult since income from excise serves as a source of finance for the Government
2.2.2.4	Administrative inefficiencies at custom procedures	(4) High for all Aps especially those dealing directly with the import of the raw materials	(2) Low due to the requirements for safety control and control of informality	(3) Actors are not able to give proper recommendations for the improvement of the procedures in the current situation of the laboratory infrastructure and veterinary service	(2) Reduction of costs is related to those APs being depended on the import of raw materials and export of food products	(3) Weak potential to advocate for procedures linked to customs and tax offices since the revisions relate to formalisation.
2.2.2.5	High prices of reference	(4) High for all APs	(2) Low due to the requirements for formalisation of contracts with non EU and non USA countries	(2) Low willingness for those APs importing from EU-USA countries. Low capacity to provide the government with substitute tools of control	(3) Reduction of costs are related to those APs being depended in the import of raw materials and export of food products	(3) Weak as it relates to the level of informality which impede APs to recommend other tools of control
2.2.2.6	High costs of primary agriculture products due to fragmented land structure, high costs of agriculture inputs	(4) High for all APs	(2) Low due to the requirements for post/land reform interventions which are very expensive. VAT exemption attempts are undermined by the need of the GoA for revenues from VAT on imported inputs, approximately 520 Mln ALL per year	(2) Low due to the low capacities of the actors to provide recommendations for the consolidation of the agriculture land structures. Moreover there are low capacities in offering practical solutions to the VAT scheme in inputs due to clashing interests on the scheme (exemption versus reimbursement)	(4) Reduction of costs and increase of employment which may overcome the VAT losses.	(3) Weak potential remain for the quick improvement of the land security since it is linked with the update of the land titles. Difficulties to intervene for input VAT exception since it is strongly linked with the establishment of a farm register

2.3	2.3.1	Consumer protection policies and advocacy are still weak	(3) Civil society and donors may establish a good platform of dialogue in order to prepare the basis for the involvement of the businesses which are still not aware.	(3) Low in the short run since increase of awareness should be created in order to prepare the consumer associations and the civil society in promoting the consumer protection and market surveillance	(3) High since promotional campaigns for consumers have been carried before (such as Buy Albanian), despite the different approach this constraints requires.	(2) Vague. I propose: Low in the short run but may positively impact the performance of large companies which then can result in increased employment capacity in the long term period.	(3) High space for intervention in consumer awareness on issues of safety and quality
	2.3.2	Low awareness on waste management	(2) Low interests from the APs since waste management create larger costs	(3) Low in the short run since increase of awareness should be created for APs based on the requirements of EU	(2) Low since few APs are not willing to accept and generate knowledge about waste management	(2) Very low in short run since increases the costs of APs and gives lower space for investments in labour intensive technology	(2) Low space for advocacy since awareness from the Aps (demand actors) is very low
	2.3.3	Weak role of FDI in the development of the agro-processing sector	(2) Low interests from the APs since the development of FDI creates crowding out effect in the market	(3) Low in the short run since increase of awareness for domestic APs is required with regards to the positive spill overs resulting from the presence of FDI. Moreover, FDI presence is related to the overall business and political constraints.	(3) Low since few APs are not willing to accept more advocacies for FDI rather than for their interests.	(4) Higher presence of FDI results in larger Aps which require intense use of labour in case handmade process is required.	(3) The FDI attraction is part of a wider policy agenda leaded by AIDA. The efforts made in this sector require time and are related to various factors which, on the other hand, are influenced by the political situation.

Source: Author's own elaboration based on survey results

2.5. Main reasons why policy, institutional and legal constraints have not been tackled

According to the respondent and expert opinions, there are various reasons why a proper policy environment does not exist for addressing and tackling the policy and legal constraints mentioned in the previous subchapter. The main factors to date for not tackling these issues based on the interviews with APs and EOs are:

- Limited role of the business associations; which is due to a lack of funding, low cooperation, and trust toward and among the business associations. There are also weak institutional capacities and a lack of institutional and legal bases for participating in the policymaking as a result of low commitment of the government to cooperate and communicate with businesses. There exists weak cooperation among business actors, between businesses and civil society and the latter with the public institutions with regards to policy development, draft legislation, and regulated implementation. (See the following subchapter).
- Low trust in state response to cases of strong advocacy due to the lack of partnership between businesses and public institutions. According to the respondents, there is a low perceived trust of business operators in regard to the state's positive reaction to advocacy activity. Therefore, business operators choose to have limited public exposure while being convinced of the low benefits from open communication with public institutions. APs feel uninvolved in the law drafting and unrepresented by business associations. KASH is perceived by APs as not responsive enough to play the role of a consultative council. MARDWA, unlike other Ministries, lacks a consultative council.
- Law illiteracy and limited information among APs: *Understanding of APs owners and management staff in political, legal, and administrative procedures is limited.* The limitation results from the low legal education level of the APs, the limited awareness and trust on the rule of law, as well as the lack of access to law amendments related to tax updates and administrative changes. There is a prevalence of law illiteracy especially from small operators¹⁵. This is related to the weak attention of these operators to follow formal procedures or to acquire information on tax updates.

Table 2 below shows in detail the opinions of the APs and EOs in frequency and percentage to the total number of respondents.

¹⁵ During the interviews weak knowledge was identified among APs on the amendments done on 28 December 2013 by the Albanian Parliament on regards to the national (environmental) taxes on food packaging (Law, No. 178/2013, For some changes and amendments on the Law no.9975, date 28.7.2008, "For national taxes", as changed) and the procedures of tax as well as excise guarantee and reimbursement.

Table 2: Reasons for not tackling the main constraints (APs)

No.	Reason to leave the situation unchanged	APs opinion		EOs opinion	
		Frequency	Percent	Frequency	Percent
1	No willingness from the agro-processing units due to low awareness	0	0%	2	11%
2	Lack of conditions and budget from the government side despite the willingness	3	11%	0	0%
3	No strong lobbying and advocacy measures on law making	24	86%	9	47%
4	Lack of existing participatory practices for policymaking	1	4%	8	42%
Total		28	100%	19	100%

Source: Survey Results

3. Mapping of the stakeholders and advocacy capabilities

3.1. APs associations and umbrella associations

There are approximately 17 specific sub-sector associations representing the 10 sub-sectors related to this study. There is no association for the fruit and vegetable processors sub-sector. Several umbrella-like associations are also present in the form of consortiums of associations. The largest and all-encompassing umbrella association is the Albanian Agribusiness Council (KASH), established since 2000 with a network of around 2,000 agribusiness entrepreneurs, grouped by 23 member organizations and represented in 12 regions. KASH, based on the declared program, organizes systematic meetings with the member associations (which are weakly promoted) and diffuses the information through a bi-monthly journal. KASH's mission is largely oriented to advocacy activities for APs. Therefore, the organization is a member of other entities such as the Chamber of Commerce and Economic Consultative Council. Another interesting unit related to APs is the Association & Business Management Centre (ABMC). The Centre includes 12 Associations, of which 6 are related to APs development. ABMC has been an advocate for a fuel excise exemption and VAT exemption on agrochemicals. The Centre has strong relations with KASH and good cooperation with MARDWA.

The Union of Chambers of Commerce as such is not very active, while the largest of its members, mainly represented by the policy environment is the Chamber of Commerce and Industry of Tirana. Chamber of Commerce and Industry of Tirana are often carrying out advocacy actions and support activities related to business intelligence, spotting opportunities for growth of its members and network for SMEs. The organization is still under transformation due to the depletion of the financial sources because of voluntary membership, which resulted from the legal changes from the last 5 years. There is a substantial number of members coming from the agro-processing sector. Moreover, the President of the KASH is also a board member of the Chamber. The other 11 regional Chambers of Commerce are much weaker, and their action is much less incisive than that of the Chamber of Commerce of Tirana.

The third umbrella organization is BiznesAlbania, established in 2010, represents the most capital intensive sectors of agro-processing, among other sectors, such as those producing flour, bakery

products, meat, beer and spirits. The organization is a representing partner of Business Europe, a lobbying employer federation present in 41 states and with extensive experience in lobbying and advocacy.

The fourth, but not least important, is Konfindustria. They represent the business interests of the industrial sector. Konfindustria's board of directors involves members from agro-processing sector such as meat, beer, and flour. Similar to BiznesAlbania, the entity is well promoted due to vast media coverage. The association has been active in promoting administrative court establishment and VAT regulation in the past¹⁶. A different group of association's concerns are those that cover horizontal interests such as the women associations and export promotion associations.

Table 3 below provides a detailed representation of businesses according to the sub-sectors and the type of associations.

Table 3: The sub-sector and umbrella associations in the Agro -processing sector

Subsector of Agro - processing	Associations	Umbrella or hybrid associations
Fruits and Vegetables	NA	KASH
Meat	Albania Poultry Farmers Association Albanian Meat Producer Association Association of Meat Importers and Producers	ABMC and KASH Business Albania and Konfindustria
Fish	Abania Fish professionals Association Union of Albania Industrialists and Investors	ABMC and KASH Business Albania
Milk and dairy	Albanian Dairy and Meat Association (ADAMA)	KASH
Flour and Bakery	Flour Production Association Bakery Producers Association	Business Albania
Olive oil	Albanian Olive Associations	ABMC and KASH
Wine	Albanian Wine Producers Family Wine Producer Association of Albania	KASH
Beer	Business Association of Food and Spirits	Business Albania Konfindustria
Alcoholic and soft drinks	Business Association of Food and Spirits	Business Albania Konfindustria
MAPs	EPCA(Essential Oil and Cultivator Association) APCPM (Albanian Producer, Collection, Processors and Export of Medicinal Herbs) Forest Users Associations	KASH
Other	Albanian Association of Professional, Artisan and Entrepreneurs Women Albanian Association of Women Farmers Exporting Association.	Business Albania ACER IDM Partners - Albania, Center for Change and Conflict Management

¹⁶ See: <http://www.konfindustria.al/rub.php?idr=3&lang=2>

Source: Author's own elaboration based on literature review

3.1.1. Level of cooperation among APs within the sector

APs were asked on their level of cooperation within each sector. The level of cooperation is declared to be on average 2 from a scale of 1-5 (according to the interviews; See Table 4). According to the APs interviewed, the level of cooperation is low because, in most cases, the interests represented are those by the associations' leaders rather than of all the members. There is also a lack of formal communication between the association and its members due to scarce accountability of associations' leaders and lack of full-time qualified staff. All of these factors hamper the dissemination of information, weaken the capacity to carry advocacy activities and lower chances of success for collective actions. This information was combined with the frequency of advocacy events taking place in each sector (See Table 5).

Table 4: Level of cooperation within the sector for common interests on specific policy issues, regulation or practices

Score 1-5	Frequency	Percent
1 Very weak	1	4%
2	18	64%
3	8	29%
4	1	4%
5 Very strong	0	0%
Total	28	100%

Source: Survey Results

According to the respondents, there are good incentives for cooperation in some sectors such as MAPs, beer, meat, flour as well as milk and olive oil and less of fish, wine, drinks, and fruits and vegetables.

Table 5: Grid of power and cooperation in advocacy activities by sector

Power Cooperation	Significant	Some	Little	No
Significant	Beer, MAPs	Milk		
Some		Olive Oil		
Little	Flour, Meat	Fish	Wine	
No			Drinks and F&V	

Source: Author's own elaboration based on survey results and experts assessment

3.1.2. The performance of the associations

The assessment of the performance of the associations emerging on the literature review (i.e. referred to the past) is similar to results from the expert interviews, so there is no positive

development or deterioration noted. The main component shrinking in the recent years is the advocacy component. This trend is related to two factors that can be summarized as follows:

1. The declining role of donor aid in capacity building of the EOs for advocacy. In their initial experience, the associations were a suitable nucleus for the dissemination of the scarce information, the organization of promotional activities, and transfer of knowledge. The major issue affecting the performance of the business association is related to the reduction of donor support experienced in recent years. Donor-funded programs in Albania are generally aimed at providing support in upstream segments of the targeted value chains and offer advocacy. Various Donors have supported the business association development such as the European Union, Business Europe, ILO, IFDC, USAID, ADA, USDA, SIDA, IPA-Cross border, OSFA, CIPE, etc. In the early years of the transition, a great role was carried out by USAID and IFDC in the case of dairy, meat, and MAP as well as flour and olive oil subsectors, etc. Donors typically provided funding and legal services for establishing the status and missions, organizing membership and board elections, and used highly qualified specialists in order to deliver added value services which were not available to the members at the local or regional level. Currently, there are a few donors active in supporting advocacy activities.
2. Changing expectations from the APs due to sector development, the increase of information and the new challenges arising from the competition. According to the interviews carried out with APs and EOs, the increasing experience of the business and the easing of access to information in the last decade increased the expectations of members for the services to be provided by associations. In most cases, such expectations were not matched by an increase and improved provision of services from the EOs. Consequently, membership in the associations is not very large; according to the responses approximately 36% of the APs were not part of any association.

The work of EOs has positively developed during the recent years in various fields, but their advocacy activities have not been developed. In today's business environment of the EOs, "advocacy" is not a clearly fee-based service. EOs are accustomed to look for projects or other fee-generating activities where there is a clear and direct relation from service to fee, such as fair organizations, research projects, and activities based on EU funding. Even those associations, which are specialized in advocacy such as KASH, are not basing their financial needs on the fees. Few advocacy activities are enabled from KASH and mainly motivated by the change of the government. Most Albanian APs are not ready to pay an association fee for an advocacy body whose benefit is not visible for the individual member. A rare case has been witnessed for additional budgets placed for advocacy, but not in the APs sector. Therefore, the advocacy activities are a minor part of EOs portfolio of services. Table 6 shows the EOs perception on their business environment.

Table 6: Trends regarding EOs business

Score 1-4	Frequency	Share
1 Going much worse	1	5%
2	7	37%
3	10	53%
4 Going much better	1	5%

Total	19	100%
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Source: Survey Results

According to the interviewed EOs, the level of participation of the sector associations in advocacy is not high. Approximately 68% of EOs have been involved in advocacy issues (see Table 7). Those not involved are mainly sector -based associations. The reasons for weak involvement from parts of the associations in advocacy and associated services are: their unstable financial situation, low willingness to pay from the members, and illegitimacy due to clashing interests¹⁷.

Table 7: Share of EOs involved in advocacy activities

Answer	Frequency	Share
Yes	13	68%
No	6	32%
Total	19	100%

Source: Survey Results

According to the interviews with the EOs, their self-estimated capacities to organize advocacy activities is “average”, being “3” on scale ranging from 1 (minimum) to 4 (maximum). This estimation may be a result of their misperceived definition of the advocacy activities (see Table 8).

Table 8: Self-perception of advocacy capabilities by the EOs

Score 1-4	Frequency	Share
1 Very poor	1	5%
2	5	26%
3	10	53%
4 Very well equipped	3	16%
Total	19	100%

Source: Survey Results

Due to the increasing opportunity costs, loss of human resources, and low financial capacity, the associations lack the legal and institutional capacities required by their members. The inability to provide advocacy services and other associated services has further reduced the credibility of the associations. Due to a lack of mechanisms to create stable financial means, the administrative staff

¹⁷ This clash of interests has created a fragmentation of the representation since associations such as the case of meat, MAPs and wine have been divided and reestablished under a new name.

of these organizations (only in 4 of 17 cases were found personnel of more than 2 people) do not possess the required legal and topical expertise in order to influence policy formulation processes and institutions.

The majority of the advocacy campaigns are often ill-prepared (lack of drafting documents) while incorrectly targeting government sectors without pursuing either a correct collection of interests (few strong personal interests dominate in several associations resulting in pooling conflicts later) or following weak communication strategies. Moreover, the information sharing and networking within the association or between associations is weak even with the new available technological resources in hand. In very few cases, legal offices have been contracted to provide legal services to the umbrella organizations to elaborate draft laws and influence the policy process. The other organizations remain dependent on donor programs and cannot rely on membership fees (only 20-30% of the budget may be sustained through the fees). The low commitment of the member to pay their fees is again related to their low expectations of the association's services. Therefore, the association status remains in a "weak financial-weak service" trap.

The same situation exists for the umbrella organizations. According to the interviews with APs, too little is done by these organizations to provide expertise on what may increase the willingness to pay for APs in exchange for such expertise. During the interviews, the team found that some of the associations were inactive for years, or institutionally dysfunctional (no election of the leader, lack of official communication and systematic meetings, etc.) and with inconsistent relations with other umbrella organizations.

In summary, business associations remain fragmented and dominated by reduced levels of membership. The level of consensus building is also low among different interest groups such as in the case of MAPs. Umbrella organizations also are challenged by the limited trust and perception of weak membership accountability stemming from low communication and unreliable decision-making¹⁸ systems. The environment is weakly supported by market relations, since there is low willingness to pay in exchange for services considering the above estimation of APs toward the APs association professionalism.

The effectiveness of AP associations is based on two main factors: i) the capacity (which includes technical expertise, lobbying, know-how and power) and ii) the actual recent involvement in advocacy activities. The information gathered and the expert's assessment leads to the conclusion that the organizations more active in advocacy are not necessarily those with better capacity and that not all the associations having sufficient capacity are actually active in advocacy.

¹⁸In many cases respondents were APs member of the associations but did not have knowledge on the agenda, meetings, information and representation of the associations. Moreover they declared to not be gathered since years for reelecting the president and the executive director. Some of them did not have any information on the location of the association. Some of the associations were not known if they were officially performing in the current year.

3.2. Government as second actors and the policy dialogue established between government and business

3.2.1. The central government

The counterpart of associations in advocacy activities is the group of Public Institutions at the central and local levels. Central-level Public Institutions include the Parliament, Council of Ministers and the line Ministries such as MARDWA, METDE, MYSW, MoF, Ministry of Environment and Ministry of Health. Improvements have been witnessed in the last year. The Government Policy Program 2013-2017 promised to revise the national scheme of support in order to strengthen the link between primary production (farming) and agro-processing. Moreover, the legal business fiscal procedures shortened the registration and licensing procedures. In the beginning of 2014, some other improvements have been witnessed. There has been a waiver of taxes of packaging materials for food products. This resulted in reduced production costs for domestic producers (Law no. 178/2013 on amendments and additions to National Taxes Law). Another positive development has been the reduction of taxes for small businesses (Law no. 181/2013 on amendments and additions to Local Taxes Law) which can represent an opportunity of formalization for small agrifood operators. For Women Economic Empowerment, various policy documents were drafted and will be endorsed soon by the government¹⁹.

Generally, advocacy with central level institutions is performed at the high level (i.e. level of MP, Ministers or Deputy Ministers, Chief of Cabinets etc.) in Tirana. However, there are cases when a lower level advocacy activity can or should be performed with lower-ranked officers, sometimes at regional level when dealing with branches of ministries (directorates) in the regions or with the Prefecture.

At the central level, an important platform of discussions is the Parliamentary Commission for the Production Activities, Trade and Environment, which plays an important role in drafting and amending relevant legislation. This Commission replaces several previously existing Commissions more focused on specific issues (such as the former Agriculture Commission). Stakeholders complain that the present commission is not easily accessed due to the weak implementation of participatory practices and to a tight schedule of activities. The Commission is more active in the initial phases of law drafting, such as fiscal regulations and regulations related to support policies. The interviewed business operators and organizations consider that the scope of the present commission is too wide so that the members have less in-depth knowledge of any topic. As a result, the risk of misunderstanding and scarce sensibility to the AP problems in the hearing process and in the preparatory works for each norm is perceived as being higher than in the past 7 years at the time

¹⁹ MAWRDA through ISARD has taken into consideration the gender equality principles and sets special targets for Women. ISARD target for 2020 (percentage of female beneficiaries of agriculture extension service=20%; percentage of female beneficiaries of national support schemes =20% and percentage of female beneficiaries of IPARD support schemes=20%). IPARD-Like also has given positive support to women entrepreneurs applying for investment grants (granting 10 points more in case of application). METDE has included concrete measures on women's entrepreneurship in the Business and Investment Development Strategy (2013-2020) and has prepared an Action Plan on Women Entrepreneurship.

when a Commission of Agriculture was operating in Parliament. This commission was composed of MPs with more experience and in-depth knowledge about the sector.

Access to the new Commission is considered difficult and, according to the business operators, no information is available on the criteria of representation in the meetings with the commission and the procedures regulating the dialogue.

3.2.2. The local Governments

The local government institutions, such as the Regional Councils, Municipalities and communes also have some powers directly affecting the activity of Aps. These are powers related to building licenses, environments permits, etc. In this case, (legal) advocacy actions could be undertaken to facilitate the access of APs to certain services provided by the local government. However, most of the constraints are related to the central level institutions, which are also represented locally rather than with the local governmental units. Concerns remain in implementing the legal base regulating the right of information and participation in both the central and local levels.

3.2.3. The consultative councils and GoA-APs relations

The pre-2014 Government established a legal base for involving stakeholders, however, according to a study undertaken by the Albanian Media Institute (2012), concerns are reported regarding the implementation of the right to access the information, such as: i) extensive time limits to process and respond to a request for information (accept the request within 15 days and provide a response within 40 days); ii) limited or no access of documents relating to public fund uses, iii) no clear legal definition of the cases when the information is kept confidential, iv) weak capacities of the public bodies for implement the processing of the public complaints by law, v) the existing law does not foresee any sanctions for non-compliance from the state officials. The *Open Government Partnership (OGP) National Action Plan 2012-2013* had foreseen an amendment to the Law on the Right for Information on Official Data, which still remains unfulfilled.

The new Government (2013-2017) is establishing policy-relevant platforms of discussion such as the commissions, task forces, and Consultative Councils in Ministry or Ministerial group's level. The Councils related with the operational environment of agro-processing are based on previous and recently established bodies such as the following:

- The National Council of Economic Affairs hosted by the Council of Ministers, which is an official platform for public policy discussions on economic and business issues. APS are indirectly represented through the Chamber of Commerce and BiznesAlbania.
- The Council of Finance hosted by Ministry of Finance, which is an official platform for public policy discussions on tax and budget issues.
- The National Council for Labour hosted by Ministry of Social Welfare and Youth, which is an old official platform for public policy discussions on labour market issues among the three parties (workers, employee and government). Lately the plan has been made public for closing this council.
- The Economic Advisory Council (BAC) hosted by METDE, established since 2000, as an official platform for public policy discussions on economic and business issues. APs are represented here through KASH.

The interviewed subjects generally perceive all the above-mentioned Consultative Councils as ineffective and scarcely credible. The members are perceived as being selected by political appointment and, as a result, influenced in their opinions and decisions. APs mentioned frequent cases where associations or umbrella associations' representatives did not consider the request of the APs for legal amendments or did not oppose publicly the government's decisions (also reflected at ACER, 2012). According to the interviews with APs, there is no available information on the participation of the APs in the Councils. Some of the APs had no information regarding the Councils existence. The transparency for the National Economic Council is also very low and there is no information (except media extracts) on the discussions taking place during the council meetings since there is no law regulating participation criteria, no meeting minutes made public, or any other stream of communication with the stakeholders.

Moreover, consultation of civil society in the legislative process and the involvement of relevant interest groups in policy processes remain insufficient and low in quality even after the change of the government. According to the interviews with the business operators, even when business groups or associations are summoned for consultations, those initiatives are rarely used by the Government as a vehicle for Public Relations or image promotion, but rather as a tool to receive feedback and improve policy or regulatory drafts. These public hearings often have no concrete results on the policy output, and the approach and language used by the government officials in presenting the policy drafts could be more assimilated to announcing current decisions (moreover, not necessarily immediately linked to actual actions) than to a participatory decision-making process.

The above-mentioned considerations are confirmed by the low score of the Bertelsmann Transformation Index (BTI)²⁰ 2011, which shows that the participation of the civil society in policymaking is weak. As a consequence of the above, the level of information on the policy changes is not considered very high by the respondents EOs, as shown in Table 9 below.

Table 9: Level of information on last changes made on policies, laws, regulations, and practices

Score 1-5	Frequency	Percent
1 not at all informed	1	4%
2	8	29%
3	12	43%
4	5	18%
5 very much informed	2	7%
Total	28	100%

Source: Survey Results

²⁰ the BTI 'Civil society participation' (Q 16.4) measures to what extent does the political leadership enable the participation of civil society in the political process (in the agenda setting, policy formulation, deliberation and decision-making, policy implementation)

At the local level, the role of organized advocacy actions in influencing decision-making is even lower; being more the result of individual relations and initiatives than of organic actions performed by the associations in favour of their members.

State authorities are often responsive towards direct contacts with selected APs based on personal relations. Senior officials and other influential representatives of public sectors are in some cases willing to accept the view of a single large enterprise engaged in active communication and PR rather than those of small informal groups of APs that prefer to establish direct links with institutions or individual decision-makers. This negatively affects the APs' perception on the fairness of policymaking and it undermines the participatory process while reducing the credibility of decision makers.

However, even in cases where the obligatory participation of the stakeholders is required, interviews reveal a doubt of business operators on the "political neutrality" of the associations²¹. Smaller sector-specific associations are also invited, but, as they stated during interviews, this is not done systematically; nor is there a scheduled program of meetings. As a confirmation of such scepticism about the real usefulness of such consultations, and in apparent contradiction with the frequent formal involvement of APs representatives in consultations, the respondents of the survey claim that the system is very open to influences from powerful APs. They claim that powerful APs are benefiting from favouritism, while the same system is closed to the majority of APs, who do not have power or beneficial connections with decision-makers. The respondent's rated their involvement in the policy process as very low. Approximately 90% of APs have never participated in a policy process (See Table 10 below).

Table 10: Level of involvement in the policy making process (APs)

Answer	Frequency	Percent
No	24	86%
Yes	4	14%
Total	28	100%

Source: Survey Results

Formally, associations or potential ad-hoc coalitions of associations such as KASH or the Chamber of Commerce are often invited to roundtables with the government. Approximately 90% of EOs has been included in the policy process during their work experience (See Table 11 below).

²¹ The last example, quoted by the respondents, is the Policy Round Table organized by MWARDA and the Prime Minister for gathering the stakeholder views on the National Support Scheme in the agriculture and rural development.

Table 11: EOs level of participation in the policy-making process

Answer	Frequency	Share
Yes	16	89%
No	2	11%
Total	18	100%

Source: Survey Results

3.3. The “third” influencing groups

A third group “influencing” the policy, legal, and institutional framework and indirectly impacting the relation between business operators/representatives and state is composed by Media, Donors, Academia, Civil Society and Consumers/Citizens.

3.3.1 The role of media

Media plays an important role in conveying messages about the policy constraints that influence the performance of the agro-processing sector. However, there are few cases of reporting and coverage directly dedicated to the Agro-processing sector. In most cases, the media covers agro-processing when discussing domestic production constraints or problems related to the state and businesses. Little coverage has been given to associations or advocacy groups. Individual success stories are broadcasted in rare cases, mainly for the MAPs: wine, beer, and olive oil sectors. Interviews show that few AP operators do have strong influence and power in some media enterprises (e.g. newspapers or TV stations) due to personal connections or other shared interests.

The situation is much better with reference to the coverage given to larger umbrella associations. However, in this case, the relationship with the media is facilitated by the direct influence of powerful agro-processors who also have key responsibilities in the umbrella association itself. Women entrepreneurship also is not well-promoted compared to the coverage of female political candidates or that of female celebrities.

The importance of new instruments of mass information is increasing. According to Freedom of Press Report of 2011,²² access to internet increased in the last years, although it remains limited in the country’s rural areas. As a result, many TVs, newspapers, magazines and radio stations in the country have developed web-based platforms, experiencing ever-growing interest from their users.

²² Freedom House, Freedom of the Press 2011 - Albania, 1 September 2011, available, :<http://www.unhcr.org/refworld/docid/4e5f71c31e.html>

3.3.2. The role of donors

There are few donors supporting the improvement of the policy and legal environment in the agro-processing sector, including USAID, GIZ, FAO-UN, EC (through IPARD-Like financial instrument) and other organizations such as OSFA and CIPE. Many initiatives supported, mainly through improvement of legislation and capacity building, the introduction of a more participatory approach to policy making and decision-making, which to some extent increased the chances for successful advocacy. However, the flow of funds given to advocacy initiatives has decreased in recent years as bilateral donors reduced their activity in Albania, in parallel with the increase of the EC role (and funds) in supporting the process towards EU accession (See Box 1 below). The gradual disengagement of donors, other than EC, has been accompanied by a transfer of responsibility and autonomy to local actors and organizations. They now must try to take the inheritance of the capacity building activities and institutional development actions formerly performed by donor-funded projects and continue such action without donor support.

This was the case of the projects funded by USAID, SNV and other bilateral donors, who left after pulling-off a number of organizations (sector associations, NGOs etc.), which should now continue the activities initiated by the donor-funded projects. As a whole, this process of transferring responsibility and knowledge for advocacy actions from donor-funded organizations to those being self-sustained is mostly resulted from a reduced capacity of EOs to perform advocacy activities.

Box 1. The current role of the donors in the advocacy in agro-processing

GIZ project "Support to the implementation of the EU-compliant Albanian Legislation" contributed to improve the Albanian legislation on SME and corporate business (large enterprises). GIZ is also contributing to the implementation of the Rural Development Programme 2014 – 2020 providing technical assistance to the Instrument for EC Pre-Accession (IPA). UN-FAO supports the design of the Agriculture and Rural Development Strategy 2014-2020 thus contributing to the improvement on the policy environment for the AP sector.

DANIDA-GIZ will promote entrepreneurship in rural areas through a territorial rural development approach.

UNWOMEN is contributing for the design of an action plan for women entrepreneurship in Albania.

Open Society Foundation Albania is contributing to increase transparency on support policies through the program on Good Governance and Integration. The Foundation has also supported the initiative to revise and improve the fiscal and legal framework regulating non-profit organizations, in partnership with Albania Centre for Change & Conflict Management (PACCCM). The PACCM also carried out a study which was followed by the National Conference "Social partners–Time for action". The purpose of these activities was to start an institutional dialogue between the new government and the civil society organizations, with the objective to create a legal and operational environment suitable to enhance the role of civil society organizations in the policy making and decision making processes. The conference led to a joint declaration of commitment of the Government and of the Civil Society representatives to perform the following activities: i) establishing within 2014 the National Council of Collaboration between the Government and Civil Society Organizations, ii) cooperate for the improvement of the regulatory framework and work practices of the Agency for the Support of Civil Society, as the Agency should be the key institution to enhance the contribution of civil society organizations in strengthening democracy and sustainable development in Albania *.

The Centre for International Private Enterprise (CIPE) funded the program "Albania: Building an Effective Public – Private dialogue" implemented by Albanian Centre for Economic Research (ACER). The program established the National Business Forum and worked with about 20 business associations and chambers of commerce to establish a Business Advocacy Working Group composed of six organizations, with the objective to communicate with the government on introduce more favourable fiscal regulations. This kind of initiative was rather original, as few activities of this type have been organized in Albania by donors.

The European Union supported the Institute for Democracy and Mediation (IDM) through the Open Government Partnership project to support the second Action Plan (2014-2015)** on establishing Open Government Partnership. A monitoring report has been carried and a conference will be organized with the topic "The challenges and the opportunities of the Open Government" for advocating for the establishment of the Action Plan***.

Other important actors are the foreign or Joint Chambers of Commerce such as the American Chamber of Commerce of Albania and the German, Italian, Greek-Albanian and Albanian-British Chambers of Commerce. These organizations represent the interests of the FDI in Albania and indirectly have a positive influence on the improvement of the business environment and development of public private partnership in Albania, since they claim publicly in organized forums and intensively use media for problems regarding business, fiscal and financial relations with the government and other third parties.

Other funders such as European Fund for the Balkans (EFB) and Friedrich Ebert Stiftung (FES) have supported policy briefs on advocacy.

*(available at: http://www.partnersalbania.org/Recommendations_of_the_CSOs_for_dialogue_and_cooperation_with_government.pdf)

** Institute for Democracy and Mediation (IDM), 2014, Open Government Partnership project – PASOS Mapping of Open Government Partnership in South East Europe.

***PAACCM, 2013, Social partners–Time for action", National Conference-13-16 December, Tirana.

3.3.3. The role of academia

The agro-processing research sector is dominated by state-owned institutions, mainly universities and public research institutes. The research in the agriculture and agro-processing sector is carried out by research institutes affiliated to the Ministry of Agriculture, Food and Consumer Protection (MAFCP), the Agriculture University of Tirana (AUT), and the Agriculture University of Korca. Academic institutions, despite being specialised in scientific research, training and extension in the area of agriculture and food processing, have a weak voice in advocating for the APs. This happens because Academic organizations are seldom involved as institutions in policymaking, while members of academia (i.e. professors) are often actively involved as individuals in the policymaking process, upon request of state institutions and donors. Also, cooperation between academia and APs is weak.²³

3.3.4. The role of Civil Society

Other recent surveys, such as those that led to produce the Civil Society Index 2011 for Albania and USAID's CSOs Sustainability Index 2010²⁴ (CSOS) have pointed to a poor performance of civil society in advocacy. Unbiased civil society actors are less motivated to engage in advocacy activities due to growing unresponsiveness from public institutions. The civil society sector in Albania is rarely consulted in the process of refining new laws (with the exception, to a certain extent, of the ethnic and minorities law). According to PAACCM statement in 2013 "there is a lack of a legal framework on the participation in decision-making and policy-making at all levels (Assembly, MC, Ministry, and Municipality Council)". The NGO coverage is still concentrated in the capital while lacking structures and capacities outside Tirana. The 2011 "Nations in Transit report" emphasises that civil society still faces many important challenges concerning capacities, impact, and credibility in public life (Gjipali, 2011). A national Civil Society Support Agency was established in 2010 and issues grants for research and applied policy-based activities (based on Albanian public funds). The advocacy activities for the business are quite unusual and the advocacy activities for consumer protection are very poor.

3.3.5. The role of consumers

An important component of the business environment is the weak consumers' advocacy activity in consumer protection and market surveillance. In past SMEs assessment surveys results showed weakness of consumer awareness organizations (Doing Business, 2012). Consumer research studies carried out by various authors in the recent years show a low level of consumer education and awareness due to lack of efforts made in the past on educating consumers (Chanhalbrendt et al, 2011; Vercuni et al, 2011; Imami et al, 2011, 2012). A relevant policy package was the Crosscutting Strategy for Consumer Protection and Market Surveillance for the period 2007-2013 (²⁵). One of the

²³ There are very few cases of cooperation between private sector and Albanian institutions, despite that reforms allow cooperation with the private sector in Albania where government institutions can keep 90% of the income from services offered to third parties, of which 60% can be used as a salary supplement for their employees.

²⁵ The strategy is in accordance with the Regulatory Framework of EU, especially with the EU strategy for the Consumer Protection 2007 – 2013, "Empowerment of the Consumers, increase of their wealth, their effective protection, Brussels, 13.03.2007

main strategic priorities is to empower (in terms of information and transparency) and protect (in terms of economic interests) the Albanian consumers in terms of safety, quality, selection, diversity, and access to food. The strategy is monitored by the Consumer Protection Commission, which, with the support of the UN, also established a website for consumer awareness²⁶. Despite the introduction of the legal base for consumers' interests advocacy, there are only two consumer entities: i) the Office of Consumer Protection (supported by USAID and Joint UN Economic Governance, Regulatory Reform and Pro-Poor Development Programme), and ii) the Association for Consumer Protection which is one of the oldest associations in Albania. The performance of these associations and their advocacy movement in defence of consumer interests is low. Moreover, few Local Government Units (LGUs) have also established their consumer protection offices such as the Municipality of Tirana. Ombudsman is another entity that advocates on behalf of consumers. Recently, this institution has created a consultative council with participation of representatives from various groups of civil society. However, their role is weak since there is no pressure group nearby the National Food Authority.

3.4. SWOT Analysis and determinants of limited advocacy activity

Taking into consideration all of the above mentioned factors, a SWOT analysis of the advocacy environment is deduced and presented in the Table 12. The results of the SWOT are based on the main findings from the interviews and the literature review.

Table 12: SWOT Analysis of the advocacy environment

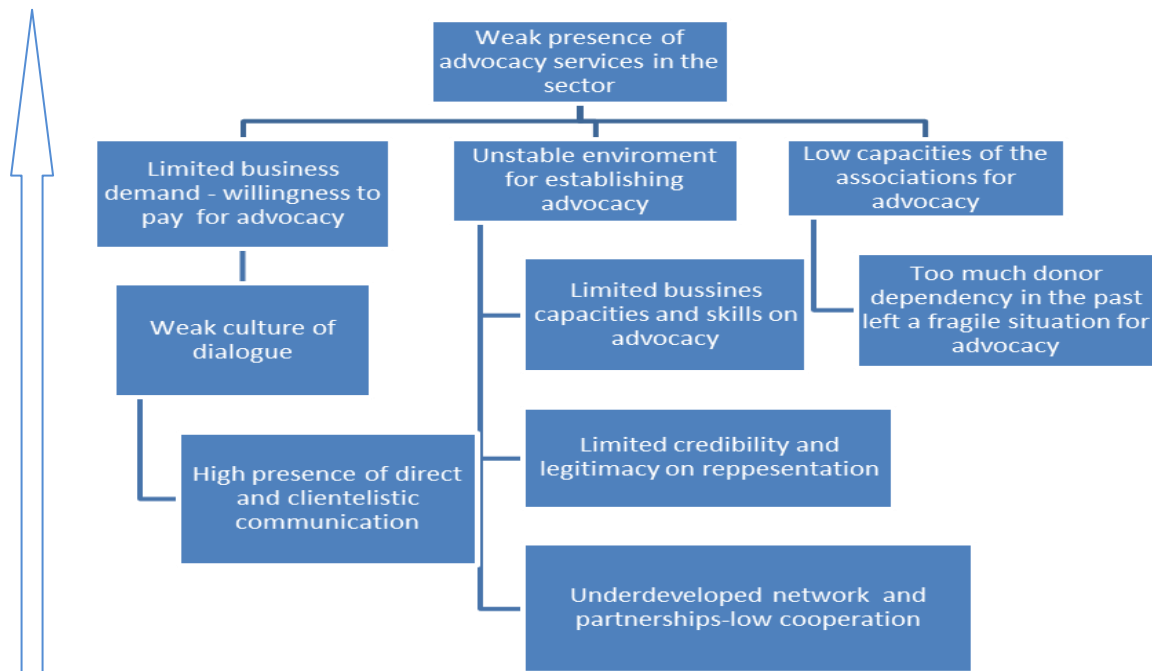
Strength	Weaknesses
<ul style="list-style-type: none"> • Business representation in high level decisions making • Strategic documents are available at national level • Coverage of the target institutions in two Ministries • Positive perception on participatory processes in the post-election period • Level of public accountability is improved • New actors appeared in the last two years (Business Albania) • Business skills on advocacy (individually) are improved • Media ownership from some APs is high • The role of the consumer associations is weak 	<ul style="list-style-type: none"> • Credibility of associations is Low (level 2) • Cooperation in most of the sectors is weak (Level 2) • Low capacities and fuzzy membership control • Legitimacy of representation is fragmented or obsolete • Lack of experience in Advocacy (Level 2) • Financial resources reduced since 2010 • Lack of transparency and good governance within the associations • Sustainability: largely a donor-driven agenda • Access to media from the sector associations is low
Opportunities	Threats
<ul style="list-style-type: none"> • Change of Government open space for institutional change • New schemes of support for cooperation with EU funds (LAGs) in local level. • Crisis will increase the willingness of the sectors to lobby for cost reduction. • Consumer, media and civil society role is increasing 	<ul style="list-style-type: none"> • Funding from members is unstable • Inaccessible state institutions due to lack of implementation of the legal base on participatory process. • Clash of interests especially on fiscal and safety constraints • Little space for advocacy on government from EOs and bigger space from selected APs advocacy which undermines the transparency and credibility • Lack of advocacy benefit from APs using the formal relations through the EOs

Source: Own elaboration by the authors

²⁶ Only few citizens are aware that some misleading actions on the part of traders constitute breaches of Law No. 9902 dated April 17, 2008 "On Consumer Protection". The Consumer Protection Commission established by the Consumer Protection Law is working to enforce the provisions of the law. Consumer Protection Commission website is see <http://www.kmk.al/Priorities.html>. Through this web site they can complain online to the Consumer Protection Commission about the unfair commercial practices of traders.

The dynamic effect of the factors mentioned in the Weakness and Threats in the availability advocacy services in the agro -processing sector is given in Figure 1 below.

Figure 1: Determinants of limited advocacy activity



3.5. Pre-requirements for success

Taking into consideration the role of the entire network of actors, it is evident that the system of advocacy involvement is not pluralistic rather than corporative or individually based. There are few occasions where mass-participation of APs exists. The most successful features are based on small groups or individual APs who may have a good network with the decision-makers. The most active associations have been those with powerful members in terms of capital and with a better or equal share of the member interests, which in most of the cases exist when the number of members is low. The effective advocacy is more likely to happen before or after elections²⁷ and in more concentrated sectors (with 10 actors max) involving strong business operators (large capital and political influence), or equal share of personal interests, which create more solid constituency within the group²⁸.

²⁷ Business associations usually become active in their advocacy role when an urgent specific condition emerges such as an opportune period before/after elections or a harsh revision of regulations impeding the business to compete (in terms of costs and liquidity). These cases has emerged during the periods of pre/post elections since are times when the government and opposition compete for hearing the voice of business in order to revise their program proposals and improve their public image.

²⁸ The case of MAP (equality of shares among members), the beer industry and fish processing (few large units with concentrated power) which are also strongly involved in media advocacy.

The situation may not change in the near future if efforts are not made to enforce the laws on political process deliberation and if the government does not consider the application of the Action Plan on the Open Government Partnership. These changes, if accompanied with a more active role of the donor community for strengthening the advocacy similar to the OFSA and CIPE interventions, can help create favourable conditions for a more welcoming environment for advocacy. See Box 2 for a detailed view of the supportive environment required for successful advocacy to improve the policy environment in Agro -processing.

Box 2. Reform Toolkit, Making the Most of Public-Private Dialogue: An Advocacy Approach

Depending on the country, the organization of business interests tends toward either a corporatist or pluralist model of representation. Corporatism structures dialogue through defined channels that are recognized by the state. Under corporatism, nominally all firms receive representation, but in practice corporatist bodies tend not to advocate for member interests. Pluralism favours open discussion and allows the independent expression of private business interests. Because pluralism is founded on voluntary association, coordinating and sustaining representation can be challenging in pluralist systems. Yet, voluntary representation generates greater dynamism and provides business an independent voice in dialogue. Independent business associations act as key vehicles for articulating business views and facilitating collective action on policy. Apart from the voluntary character of associations, the objectives and orientation of associations are crucial to the quality of dialogue. Some associations attempt to capture the state, redistribute wealth to their members, and restrict market competition. Others promote market solutions and advocate for policies that enhance economic performance within rule of law. The latter offer a better basis for legitimate, broad-based dialogue. Individuals, no matter how distinguished, cannot be relied upon as sufficient representation for business. If they are not linked to business constituencies, they cannot speak with full knowledge of business needs, or with the forcefulness of organized associations. Individual business leaders may be valued advisors, but without broad-based input there cannot be genuine public-private dialogue

Source: CIPE, 2012, available at: http://www.cipe.org/sites/default/files/publication-docs/ppd_052411.pdf

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