Albanian Investment Development Agency
Agjencia Shqiptare e Zhvillimit të Investimeve

REPUBLIKA E SHQIPERISE

Development of the Dried Fruits Supply Chain in Albania

Agjencia Shqiptare e Zhvillimit të Investimeve, Blv Gjergj Fishta, Pall. Shallvare, Tiranë, Tel: +355 (0) 42251001, Fax: +355 (0) 42250970, website: www.aida.gov.al
Albanian Investment Development Agency (AIDA), Blv Gjergj Fishta, Pall. Shallvare, Tiranë, Tel: +355 (0) 42251001, Fax: +355 (0) 42250970, website: www.aida.gov.al

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1. Fruit Subsector in Albania

1.1. Overview of Fruit Production Performance

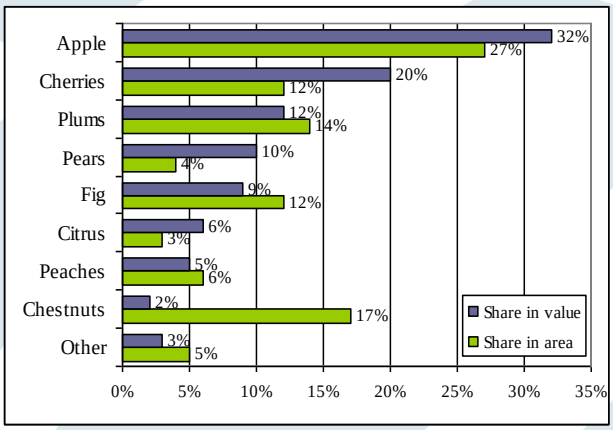
1. The fruit subsector has presented a significant increase during the last ten years and is now becoming (especially after 2008) a very important agriculture subsector. During 2008-2010 the production of fruit, grapes and citrus increase about 12% annually and contributed to about 7% of the gross annual agricultural output. In 2010 production of grapes amounted to 185,000 tonnes, of fruits 168,000 tonnes and citrus about 14,000 tonnes.

2. Demand for fruit is growing and wider ranges of fruit are demanded, including non-seasonal ones. During the period 2000-2009 consumption of fruit increased from 75 kg per capita to about 115 kg. The domestic market of fruit is expected to continue growing in size and width and to get segmented with larger price differences for different qualities; the total value chain turnover is expected to increase both in value and in volume.In addition to the general preference for domestic fruit, there are special preferences for fruit coming from selected regions in Albania. Korca, Peshkopi, Tirana. Durres, Berat and Lushnje, are well-known areas of origin for quality fruit.

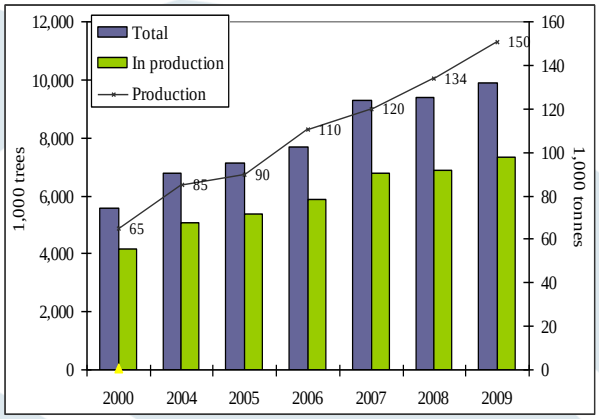
3. Most of the fruit consumed in the country (apart from tropical fruit, such as bananas) is produced in Albania and the share of domestic production on total supply has been increasing over the last decade. The self-sufficiency rate with fruit was 68% in 2007 (about 74% in apples, about 63% in peaches and nectarines, about 23% in citrus). In 2009 the value of import of fresh and dry fruits was EUR 34.8 million, and exports only 1.3 million. The volume of trade deficit of fruit most commonly cultivated in the country is decreasing, the exception being oranges.

4. The area with fruit amounted to about 14,500 ha and of grapes 13,900 ha. In 2009 about 27% of the fruit area was under apples, 17% – chestnut, 14% – plums, figs and cherries each about 14%. In terms of contribution to the value of output the most important are apples with about 32%, cherries with about 20% and plums with about 12%.

Main fruits by area and value of output



Number of fruit trees and fruit production (grape and citrus excluded)



Source: MAFCP and estimations of experts.

5. Fruit production is well distributed in most of the country, according to the climatic conditions and local traditions. The present situation is the result of a steady growth in cultivated surfaces for all types of fruit and grapes occurred in the last decade. During the period 2000-20`10 the number of fruit trees increased by about 80%, while production has more than doubled (231%), as a result of combined increase of number of trees and yield, demonstrating an increased efficiency.

6. Production of citrus also achieved a remarkable growth, scoring in 2009 an output almost three times higher than in 2000. This is due to the growth in number of citrus trees (+80% since 2000) and in yields, 2.3 times higher compared to 2000. Such improvement reflects the much higher productivity of new modern citrus orchards entering in production.

7. Since 2000 production of grapes has more than doubled, due to increasing yields and cultivated surface area. The share of grapes output from vineyards on total output of grapes has sensibly grown. In 2009, more than 60% of the total grape production came from vineyards; it was 41% in 2000. This trend shows a gradual growth of professional and commercial-oriented grape-growing.

8. Yields also sensibly increased, mainly due to more wide-spread use of higher quality propagation material and better use of inputs, including also irrigation. Despite growth of yields they with the exception of cherries yields remain lower than in EU. Yield of peaches and nectarines are higher than in FYROM, Croatia and Serbia, but lower that in Turkey.

9. In 2010 there were about 153,000 holdings that cultivated various types of fruit trees, or 43% of the total number of farms. Most of these farms are mixed, subsistence farms, and cultivate fruit mainly for self-consumption. However, the number of semi-commercial and commercial fruit growers has been increasing. The number of farms with fruit trees having a size of 0.5 ha or less is decreased by 40 % between 2005 and 2010, while the number of farms with more than 0.5 ha has increased significantly. Also the number of larger farms, (those with more than 2 ha) has increased. However, the pace of consolidation is still slow and the average farm size remains too low to be competitive and most fruit producers are still dealing with subsistence or semi-subsistence farms.

10. About 61,000 farm holdings, or 40% of total, have fruit tree in blocks. However, in about 70% of cases blocks are very small, having an area up to 0.2 ha. There are about 7,200 farms (12 %) with fruit trees in blocks larger than 0.4 ha, of which 4000 (7%) have blocks larger than 0.5 ha. These holdings are often concentrated in the same areas, thus creating conditions for development of value chain clusters.

11. However, despite the significant development of the sector and increase of production during these recent years, post-harvest infrastructure and practices, including cold storage facilities, and cleaning/sorting/grading/packing facilities are still below the needs. As a result, the estimates show that the losses are quite high, about 10-25%; in the case of apples losses are much higher, ranging from 25% to 40% of total production. During the production peak period, large quantities of the domestic apples which are not sold within the same month are usually wasted; the situation is slightly improving, due to some recent small investments in cold storage facilities in production areas. The losses of citrus and peaches are much lower, according to expert assessment, as also the production level is lower compared to apple. In the case of grapes, unsold table grapes are processed.

1.2. Recent Developments in Fruit Processing Industry

12. Fruit processing is a relatively small industry in Albania. The output of the industry registers fast but uneven growth, driven by growing domestic demand and improved supply of local raw materials for the industry.

Output of selected fruit processing industry products (in tonnes)

Product	2000	2005	2006	2007	2008	2009	% 2009/ 2000
Jam and compote	218	362	881	306	707	399	83.0%
Fruit juice	756	34,666	18,923	60,890	69,923	56,924	7429.6%

Source: MAFCP

13. There is a trend for increasing consumption of processed fruits. The processing companies expect an increase of production, based on consumer loyalty to the brand and on the increasing availability of domestic raw material supply.

14. There is a structural trade deficit in processed fruit. Local fruit processing companies specialise in traditional for the Albanian market products and dominate the domestic market for mainly for jams and compotes, while there are very limited production of dried fruits. In 2009 the import of processed fruit and vegetables amounted to EUR 13.9 million, and export EUR 1.8 million. Imports have doubled since 2000, while exports have tripled but starting from a very small starting base.

15. According to MAFCP data, there are 27 specialised enterprises processing fruit and vegetables in Albania. Another group of 20 to 30 enterprises, which operate in other branches of food processing sub sector, process also some fruit and vegetables. In addition, there are a number of specialised workshops/small processing units, which are working in an informal sector.

16. The processing industry is dominated by micro and small enterprises with an annual turnover between EUR 80,000-300,000. There are four larger companies: two with an estimated annual turnover of more than EUR 370,000 and two with turnover above EUR 1-2 million. The largest company processes between 2,000 - 4,000 tonnes of fruit and vegetables per year. The total annual turnover of the industry is estimated at EUR 10 million.

17. Fruit and vegetables processing is mainly seasonal business activity. Most of the companies process both fruit and vegetables. There are only three companies specialized in fruit processing. There are no companies producing frozen or lyophilised fruit and vegetables. The main processed fruit products are fig jam, cherry and plum jams, peach compote, plum compote and cherry compote.

18. In general, there is a major difference of prices between imported jams and compotes and domestic ones, with imported products being much more expensive. However, domestic products are targeted to the mass of domestic demand, requiring jams and compotes with the natural fruit still appearing in the processed product and are satisfying this large segment of demand. So far, domestic producers have not produced products directly competing with the imported ones.

19. Large companies process both imported and local products, while small and medium-sized specialise in processing only local products. Few years ago the main problem of the industry was insufficient supply of fruits on the local market, forcing the processors to import a substantial part of their needs. The conducted sector study revealed that for small and medium-sized processors quantities of raw materials are no longer the main problem, since they manage to source up to 90% of their supplies from domestic producers. The level of upstream integration has improved, but is still limited, especially for fruit supplies; the relations (with or without contracts) with farmers, collection agents and importers or foreign suppliers are more consolidated than in the past. However, further improvements are needed for development of well-structured system of contractual integration.

20. The main ways of collecting raw materials include direct purchasing from farmers and procurement through collectors or agents. For large companies, which are located in some distance from main areas of fruit and vegetable production, the role of consolidators in the supply system is more important than for others, which are closer to main production areas. Collectors usually serve as agents or middlemen, facilitating transactions between groups of farmers and a processor. They rarely have refrigerated storage facilities or collecting points.

21. A small share of processors has contracts, regulating the use of specific varieties, cultivation methods and quality of product at delivery. To those farmers who are correct with quantity and quality, processors provide advance payment between 25-50% before the production season, and adjust

payments at the delivery of supplies. Insufficient respect of agreements (in most cases verbal) by both parties is also a problem.

22. During the years, the largest enterprises managed to make some significant investments. One company has built a completely new plant. However, most of smaller enterprises cannot afford major investments, and therefore, improvement of the existing technology and the introduction of new technologies is slow. Almost all processing enterprises have some storage facilities but they are not properly equipped for conditioning incoming raw material, which results in high waste. The average waste rate in processing fruit, ranging between 20% and 25%.

23. The structure of costs is different from product to product, but the main cost items are: packaging, raw material (included waste), and distribution. The main cost item among direct costs is packaging, which makes up to 50%; the second cost item is the raw material, which occupies 25%-35%, other inputs 10-12% and fuel 7-10%. The share direct labour costs is low - 4% to 10%. Processors are totally depended on imports of packaging and food ingredients. The most common packaging material is glass jars and bottles, which are imported, which significantly increases the cost. Raw material costs are also high also, due to the high percentage of waste.

24. Downstream integration with distribution is the area where most companies have made significant investments, especially in terms of organisation: most companies are directly taking care of distribution, up to retail level. Large companies are able to use several distribution channels at the same time, including direct supply to retailers, sales to wholesalers, and distributors. The second-ranked most important distribution channel is indirect distribution, using wholesalers.

25. Direct delivery from the factory to retailers remains the main distribution channel: this practice was initially adopted only by the larger processors, but is now used also by smaller ones; larger companies are getting more focused on large buyers, such as supermarket chains. Each processor has at least two vehicles delivering the goods to the retail outlets on a regular basis. Retailers are in general satisfied with the service.

1.3. Potentials for Development of Dried Fruits Subsector in Albania

26. Dried fruit is part of the preserved fruit and vegetables market that includes canned, frozen and dried fruit and vegetables, juice, jam and purees. According to various studies, the consumption and demand for dried fruits and vegetables in European market is growing. There are two major market segments for dried fruits: the food processing market and the retail market. The food processing market is by far the largest segment accounting for an estimated 80% of world dried fruit imports. Major consumers are the breakfast cereal (muesli) and the confectionery industries. Dried fruit products for the retail market are mainly sold as ready-to-eat snacks. The demand for high quality dried fruit continues to expand.

27. Albanian dried fruit production is yet very small and may be considered to be only at the starting stage. The major current importing countries for Albanian dried fruits are EU countries (i.e. Germany, Czech Republic, Greece, etc.) and regional countries (i.e. Serbia, FYR of Macedonia, etc.). The tables presented in Annex 2 present the Albanian dried fruit exports in 2009 according to countries and main product types. In the face of global competition from larger producers in European Asia, Albanian products need significant improvement to become competitive in world markets. In this context, significant improvements need to be introduced especially as regards marketing strategies, quality control, packaging, and distribution. Despite these challenges, the development of dried fruit products in Albania represents significant opportunities such as: (i) appropriate agro-climatic conditions for production of a large number of types of fruits adopted for drying (apple, cherries, pears, figs, plums, apricots, grapes, nectarines, blueberries, blackberries, etc.); (ii) cheap rural labour needed for drying activities; (iii) relatively simple drying technologies and limited investments needed; etc.

28. Drying fruit is cheap, simple and very effective. Using the power of the sun, a solar dryer can dry almost any fruit and many vegetables. The sun evaporates the moisture content of the food meaning if they are then stored correctly, dried fruit can last for years. Drying fruit is a simple process allowing you 'add value' to harvested fruit, drying and storing it so it can be eaten and sold out of season. It also means fruit that may be wasted at harvest time to oversupply can now be put to a good use.

29. Development of drying fruit industry has significant advantages:

- *Adding Value*: Raw fruits often have little economic value, especially during harvest time when the prices are very low (on average, 1 kg of dried fruit can be worth 10 times more than a kg of raw fruit) By drying and processing your fruit producers may add value to the product, allowing us to sell it at a higher price and greater profit.
- *Long Lasting*: The fruit harvesting is still based on seasons. As a result during harvesting time a particular fruit flood the market, but is then often unavailable outside of season. Dried fruit can last for years if sealed correctly, meaning producers can store it and sell it out of season.
- *Transferable and lifelong skills*: Drying fruits is a cheap, simple and universal process. Involving students gives them clear identifiable skills that they can carry with them throughout life - even if the products are only used to feed the family (rather than for generating income). After all drying fruit can be used for personal consumption as well as a means of income generation through sales to both domestic and especially to export market.

2. PROJECT DESCRIPTION

2.1. Rationale

30. The fruit subsector in Albania has shown a significant increase during the last ten years and is now becoming a very important agriculture subsector. Demand for fruit is growing and wider ranges of fruit are demanded, including non-seasonal ones. Both domestic and export market of Albanian fruits is expected to continue growing in the near future. The total value chain turnover is expected to increase both in value and in volume. The Albanian fruit production has increased in the recent years, and now most of the fruit consumed in the country (apart from exotic/tropical fruit) is produced in Albania and the share of domestic production on total supply has been increasing over the last decade. The volume of trade deficit of fruit most commonly cultivated in the country is decreasing and the exports increasing.

31. However, despite the significant development of the sector and increase of production during these recent years, post-harvest infrastructure and practices, including cold storage facilities, and cleaning/sorting/grading/packing facilities are still below the needs. As a result, the estimates show that the losses are quite high. During the production peak period, large quantities of the domestic apples which are not sold within the same month are usually wasted.

32. The development of the dried fruit subsector is considered to be an important option for the remedial to this situation. In addition to the reduction of post harvest losses, dried fruits represent also an important export potential for Albanian farmers and an opportunity to increase their incomes. Today, this subsector is yet very small and may be considered to be only at the starting stage. Despite small in volumes, the initial production and exports have shown to be promising with exports increasing both in volumes and market demand. However, significant improvements need to be introduced especially as regards marketing strategies, quality control, packaging, and distribution.

33. Despite these challenges, the development of dried fruit products in Albania represents significant opportunities such as: (i) appropriate agro-climatic conditions for production of a large number of types of fruits adopted for drying (apple, cherries, pears, figs, plums, apricots, grapes, nectarines, blueberries, blackberries, etc.); (ii) cheap rural labour needed for drying activities; (iii) relatively simple drying technologies and limited investments needed; etc. Drying fruit is a simple process allowing producers to ‘add value’ to harvested fruit, drying and storing it so it can be sold out of season at a higher price and greater profit.

34. Albania has a rather favourable market access for small ruminant products in terms of low tariff rates. Income per capita increase has resulted in increased demand for small ruminant’s products. At the same time cost of skilled and unskilled labour is very low providing a comparative advantage. Albania’s proximity to EU and its process of accession to become an EU member also provide comparative advantages in terms of low transport cost and Preferential Tariff regime of zero duties for

all Albanian produce imported into EU. Albania is member of WTO, and the Central European Free Trade Agreement (CEFTA). Albania is party to the Free Trade Agreements (FTA) with, EFTA parties, EU member countries and CEFTA member countries and Turkey.

35. In addition to the above, Albanian is doing its best to establish a favourable and enabling environment in the sector. The development of fruit production and processing are set a main priority of the policy framework developed by Government of Albania, within the Agriculture Development Strategy. The sector (both fruit production and processing) are already included in the financial support measures introduced by the Government since 2007 with fund available being increased every year for this subsector. The subsector is also included in the upcoming Rural Development Programme to be funded by the EU's IPARD Programme, in the coming years. In addition, a number of donor funded projects are supporting the development various fruit value chain in the country.

36. The project for the development of the halal meat supply chain would contribute to the reduction of income poverty in the target rural areas of Albania. This is fully in line with the overall Government's National Strategy for Development and Integration and more specifically with the Agriculture, Rural Development and Food Safety Strategies, whereby the strategic priorities are to improve agriculture competitiveness and raise the income generation opportunities for rural households.

2.2. Project Goal and Objectives

37. **The goal** of the project is to develop a competitive and exports oriented dried fruit industry in Albania improve households' income generating opportunities in the target rural areas of the country.

38. The **specific objectives** of the project are to:

- Establish a competitive and export oriented dried fruit supply chain in Albania;
- Increase quantity of production, improve quality and marketability of Albanian dried fruit products;
- Increase of incomes and employment in farm households and enterprises in the target areas;

2.3. Proposed Project Approach and Components

39. The proposed project approach is based on the usual vertically integrated supply chain approach. In this context, to implement the vertically integrated dried fruit supply chain approach, the project will seek to establish/restructure and manage a set of sequential inter-related value-adding activities, carried out by a number of independent but inter-related business actors and governed by a lead firm, to achieve a flow of products and services from the producer to the final consumer.

40. In order to implement the above mentioned approach, the project is foreseen to include three components, as follows:

(a) ***Component 1: Dried fruits supply chain management;***

(b) ***Component 2: Marketing and export services;***

(c) ***Component 3: Project management.***

2.3.1. Component 1: Dried fruits supply chain management

41. This component will seek to identify and structure and manage all actors of the supply chain from the production, post harvest down to the market. The project would need to start (as a preliminary stage of the project) with a detailed assessment of supply chain situation starting from the market (including a detailed analysis of the market, segmentation, location and other characteristics of the market and requirements). Based on the results of the analysis and the identification of the targeted market, the first phase of the project would consist of identification of the other actors of the supply chain and actors of this type of supply chain and with the establishment of clear working arrangements, especially at the production and processing (drying) parts of the supply chain in order to respond to in order to targeted market demand. As most supply chain actors in Albania are not well organized and the supply/value chain not well structures, this phase is very important for the success of the project.

42. Typical steps in the dried fruit production process include:(1) selection and purchase; (2) sorting; (3) washing; (4) pealing; (5) coring, removal of stone/seed; (6) cutting of fruit (according to buyer specifications); (7) blanching (using a method that meets buyer specifications); (8) drying either through solar or conventional means; (9) cooling; (10) sorting and export grading, packing, labelling; (11) storage and transportation (if the product has a high moisture content and a preservative has not been used, cold storage may be required). The project would need to develop clear procedures and guidelines for each of these steps and implement a series of technical and professional trainings sessions and continues follow-up with the involved actors in order to be able to produce high quality products. In addition, the project would identify, train and contract supply chain facilitators to work for the organization and facilitators of various groups of actors within the supply chain.

43. An important element of this component would be the establishment of a quality control and management system in order to ensure high quality and standards of the product. The system is proposed to be based on the “four eye” principle. Project’s staff/experts should clearly understand buyers’ specifications before producing and shipping. In addition, special care should be taken so that Albanian product is “clean” and ISO/HACCP compliant. FAO’s Codex Alimentarius publishes a recommended international code of hygienic practice for dried fruits.

44. In order to speed up the introduction of improved dried fruit production technologies, the project may seek to facilitate access to small-scale financing. The provision of co-financing instruments would have a major positive impact on enabling effective technology introduction, reducing cost and quality risks and improving competitiveness of product in the market. Co-financing would also reduce the collateral required by the investors and stimulate greater leverage of funds from private investors (savings, remittances) and from financial institutions (debt financing). The amount of co-financing for producers may range from about30-40% of the total investment, while the maximum co-financing amount may be up to USD 5,000, but the majority being about USD 3,000 per producer.

2.3.2. Component 2: Marketing and export services

45. This component will consist mainly of marketing specialists working to identify, attract and maintain buyers in the export market. The indicative types of activities to be implemented under this component may include (but not limited to) the following:

- identification, development and maintaining of the contact with potential buyers (importers) of the dried fruits from other countries;
- development and maintaining of contractual arrangements with the buyers;
- establishment of a collection, sorting, packing and labelling centres, ensuring that the product is prepared for shipment according to the standards and requirements of the buyer(s);
- provide continues feedback to the specialists and facilitators of the first component related to the requirements of the buyer about various issues raised by or the specific requests of the buyer(s).

46. This component would provide financial support to the supply chain actors involved in collection, transport, processing and handling of dried fruit products. To complement financial resources mobilized by the existing SME or private investors, the project would provide additional co-financing. The amount of co-financing for SME may be up to about 30% of the total investment, while the maximum co-financing amount may be up to USD 10,000, with the majority being at about USD 8,000 per business entity. In addition, the project would also seek ways to promote and facilitate access to clients to debt financing (commercial loans) from Banks and Non-Bank Financial Institutions.

2.3.3. Component 3: Project management

47. This component would provide for the management of the project. A small Project Management Unit (PMU) would be established composed of the key management and a limited number support staff. The PMU will work in close cooperation with the Ministry of Agriculture, Food and Consumer Protection and other responsible institutions, as designated by the Ministry to get involved and contribute to the implementation of the project.

48. A Project Manager (PM) will be selected (by the Project Steering Committee, PSC), who will be responsible for day-to-day management and decision-making for the project. The PM's prime responsibility is to ensure that the project produces the results specified in the project document, to the required standard of quality and within the specified constraints of time and cost. The PM in close collaboration with the PSC, the various involved institutions and the project actors will prepare detailed work-plans for each project stage, monitor each stage implementation and produce project reports. The PM will assisted by the various experts/consultants hired by the project to carry out various tasks and responsibilities within the project. However, the details of the necessary experts/consultants needed throughout the project would be developed during the final project design.

49. A Project Steering Committee will be established on purpose, composed of representatives from the project's international investor(s)/donor(s), MoAFCP, Local Government, producers/processors associations/interest groups. The PSC membership will be kept to a manageable number of decision-makers, however, if and when needed the PSC may invite additional representatives as required.

2.4. Project Implementation

50. The project is foreseen to be implemented over a period of five years period and would be implemented in close cooperation and partnership with the Ministry of Agriculture, Food and Consumer Protection(MoAFCP), local government and other institutions as designed by the Ministry.

51. The project in itself would be a market driven supply chain oriented intervention, following the experience gained from the previous and on-going project/programmes in Albania and the policies of the Government of Albania. The market driven nature of the project would emanate from the development of local market and export market demand articulated through effective supply chain organizations and management.

52. The implementation strategy entails investing in and testing the processes in order to enable the effective participation by most active actors in the supply chain. The formation of supply chain interest

groups and organizations would thus start in the first year of project and their capacity building and support continue during through the lifetime of the project.

53. The PSC will meet regularly at least every quarter, and ad-hoc as required, in order to review project progress; discuss and resolve co-ordination issues; discuss the work and financial plan for the forthcoming period; take key strategic decisions related to the project implementation and facilitate any remedial action needed at operational level. In particular, the SC should: (i) propose activities to be implemented for solving any particular difficulty that might stem during project development or take decisions and provide indications to the project management; (ii) convey agreements/suggestions to the relevant institutions where final decisions have to be made or regulations have to be designed; (iii) respond to questions and demands on technical matters; (iv) assist concerned institutions to work out measures capable to accelerate the development of the sectors targeted by this project; and (v) discuss all working plans, reports and strategies prepared by the project.

2.5. Risk Identification and Mitigation

54. The project design is intended to minimize risks in the event that some assumptions are verified not true or significant delays or obstacles are recorded. However, the main identified risks for the project are as follows:

(a) At the Development Objective Level, those of political instability, macro-economic stagnation and decline and any reverse of liberal market-based economic policies. In the short-term, these appear to be unlikely. Prospects for economic growth remain sound, and as the country has enjoyed financial success with liberal economic policy settings, it appears probable that these will continue to be strengthened. The risk is that there may be slow progress towards EU accession. Any serious delay in this process could have an impact on the willingness of the country to invest in measures to meet the required technical and administrative standards for trade with the EU, and this could affect competitiveness of commodities and services being promoted by the project. Nevertheless, the extent to which Albania enjoys preferential trade agreements with the EU provides substantial comfort that this risk may not be realised, even if there are significant further delays in the accession process.

(b) At the Output Level, the main risk such projects is often the scarcity of skilled and efficient contractors and service providers to effectively implement the project in a cost-effective manner. However, there has been significant improvement in the availability and quality of service providers in all of the relevant activities. The quality of financial and agribusiness services have been boosted by training and the return of some expatriate Albanian experts. However, in some circumstances, particularly for the facilitation services being provided to supply chain organizations and local action groups, it may prove to be necessary for some intensive training and mentoring of service providers. This is accommodated especially under the first component, with additional support and feedback being provided through the second component.

3. PROJECT COSTS AND FINANCING

3.1. Estimated Project Costs

55. The estimated project costs have been derived based on data, information and experience from consultations and other donors funded projects, businesses as well as from Government institutions. Price and physical contingencies have not been included in this estimation. However, they would need to be included later during the estimation of the final detailed costs.

56. The total base cost for the investment and incremental recurrent project costs, excluding physical and price contingencies, is estimated at about USD 4.3 million. Table 1 below presents the project costs by components.

Table 1.Project Costs by Component

	Project Components	Amount	%
1	Dried fruits supply chain management	1,719.4	40.4
2	Marketing and export services	1,618.5	38.1
2	Project management	912.8	21.5
		4,250.7	100.0

3.2. Potential Project Financiers

57. On current estimates, a donor financing would covers about USD 2.8 million (or about 67% of the total project costs). The total amount of donor financing, 37.4% (about USD 1.06million) would be used to finance the first component, about 36.6% (USD 1.04million) for second component and about 26% (USD 0.7 million) for the third component. The contribution of the Government of Albania (of about USD 0.3 million, or about 7% of the project costs) would be used to finance mainly taxes and duties and some other contributions, mainly as evaluated in-kind contribution from the public advisory services providing technical support at the local business community of the selected supply chains. Approximately USD 0.64 million (15% of total project costs) would be provided by the primary beneficiaries (participating meat producers and business entities participating in the supply chain), mainly as contributions to the financing of technology investment and small-scale infrastructure investment. A further USD 0.5 million, or 11% of project costs, is expected to be provided by banks and non-bank financial institutions as debt and co-financing investments with beneficiaries and the project. Table 2 below provides a summary by project components of the proposed financing arrangement.

Table 2: Financing Plan by Components (USD)

		Donor		The Government		Banks/NBMFIs		Beneficiaries		Total	
	Project Components	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1	Dried fruits supply chain management	1,064.4	37.4	56.5	19.7	256.5	53.4	342.0	53.4	1,719.4	40.4
2	Marketing and export services	1,042.0	36.6	55.0	19.2	223.5	46.6	298.0	46.6	1,618.5	38.1
2	Project management	737.6	25.9	175.2	61.1	-	-	-	-	912.8	21.5
Total PROJECT COSTS		2,844.0	66.9	286.7	6.7	480.0	11.3	640.0	15.1	4,250.7	100.0

58. More detailed estimates of project costs according to each component and financiers are presented in the Annex 1 attached to this document.

1. ANNEXES:

ANNEX 1. DETAILED ESTAMITES OF PROJECT COSTS

Albania
Table 1. Project estimated costs by financiers
(US$ '000)

	Donor		The Government		Banks/NBMFIs		Beneficiaries		Total	
Project Components	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
1 Dried fruits supply chain management	1,064.4	37.4	56.5	19.7	256.5	53.4	342.0	53.4	1,719.4	40.4
2 Marketing and export services	1,042.0	36.6	55.0	19.2	223.5	46.6	298.0	46.6	1,618.5	38.1
2 Project management	737.6	25.9	175.2	61.1	-	-	-	-	912.8	21.5
Total PROJECT COSTS	2,844.0	66.9	286.7	6.7	480.0	11.3	640.0	15.1	4,250.7	100.0

Albania
Table 2. Dried fruits supply chain management
Detailed Estimated Costs by Financier
(US$ '000)

	Donor		The Government		Banks/NBMFIs		Beneficiaries		Total	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
I. Investment Costs										
1. Collection and packing centers										
a. Equity financing	855.0	100.0	-	-	-	-	-	-	855.0	321.5
b. Beneficiaries' contributions	-	-	-	-	-	-	342.0	100.0	342.0	128.6
c. Debt financing	-	-	-	-	256.5	100.0	-	-	256.5	96.5
Subtotal	855.0	-	-	-	256.5	100.0	342.0	100.0	1,453.5	225.1
2. Producers capacity building										
d. TA-specialist and consultants	123.4	58.9	42.0	20.1	-	-	-	-	165.4	62.2
e. Trainings and capacity building	56.0	26.7	14.5	6.9	-	-	-	-	70.5	26.5
f. Others	30.0	14.3	-	-	-	-	-	-	30.0	11.3
Subtotal	209.4	100.0	56.5	27.0	-	-	-	-	265.9	100.0
Total	1,064.4		56.5		256.5		342.0		1,719.4	
in %	61.9		3.3		14.9		19.9		100.0	

Albania
Table 3. Marketing and export services
Detailed Estimated Costs by Financier
(US$ '000)

	Donor		The Government		Banks/NBFIs		Beneficiaries		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
I. Investment Costs										
a. Co-financing	745.0	71.5	-	-	-	-	-	-	745.0	46.0
b. Beneficiaries' contributions	-	-	-	-	-	-	298.0	100.0	298.0	18.4
c. Debt financing	-	-	-	-	223.5	100.0	-	-	223.5	13.8
d. TA & marketing secives	242.0	23.2	45.0	4.3	-	-	-	-	287.0	17.7
e. Trainings and capacity building	25.0	2.4	10.0	1.0	-	-	-	-	35.0	2.2
f. Others	30.0	2.9	-	-	-	-	-	-	30.0	1.9
Total	1,042.0	100.0	55.0	5.3	223.5	100.0	298.0	100.0	1,618.5	78.3
in %	64.4		3.4		13.8		18.4		100.0	

Albania
Table 4. Project management
Detailed Estimated Costs by Financier
(US$ '000)

	Donor		The Government		Banks/NBMFIs		Beneficiaries		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
I. Investment Costs										
1. Equipment and goods	9.2	5.8	2.3	7.6	-	-	-	-	11.5	5.8
2. Vehicles	48.0	30.5	12.0	39.7	-	-	-	-	60.0	30.5
3. Technical Assistance	44.0	27.9	11.0	36.4	-	-	-	-	55.0	27.9
4. Trainings and workshops	19.6	12.4	4.9	16.2	-	-	-	-	24.5	12.4
5. Studies and surveys	36.8	23.4	-	-	-	-	-	-	46.0	23.4
Total Investment Costs	157.6	100.0	30.2	100.0	-	-	-	-	197.0	100.0
II. Recurrent Costs										
a. Project management salaries and allowances	260.0	44.8	65.0	44.8	-	-	-	-	325.0	44.8
b. Social security contribution	41.8	7.2	10.5	7.2	-	-	-	-	52.3	7.2
c. Operation and maintenance	98.6	17.0	24.6	17.0	-	-	-	-	123.2	17.0
d. Other operating costs	179.6	31.0	44.9	31.0	-	-	-	-	224.5	31.0
Total Recurrent Costs	580.0	100.0	145.0	100.0	-	-	-	-	725.0	100.0
Total	737.6	80.0	175.2	19.0	-	-	-	-	922.0	100.0

Albanian Investment Development Agency (AIDA), Blv Gjergj Fishta, Pall. Shallvare, Tiranë, Tel: +355 (0) 42251001, Fax: +355 (0) 42250970, website: www.aida.gov.al

ANNEX 2: ALBANIAN EXPORTS OF DRIED FRUITS IN 2009

Exporting Country: ALBANIA

Product: Apples, dried(081330)

Sr No.	Importing Country	QTY(2009)	Value(2009)
1	Germany	581.50	1.12
2	Czech Rep.	30.00	0.05
	Total	**611.50**	**1.17**

Product: Dried fruit (excl. of 08.01-08.06 & 0813.10-0813.30)(081340)

Sr No.	Importing Country	QTY(2009)	Value(2009)
1	Germany	20.40	0.18
2	Czech Rep.	13.16	0.10
3	Croatia	7.42	0.03
4	Italy	1.39	0.03
5	Australia	0.20	0.01
6	Bulgaria	1.00	0.01
7	Canada	0.21	0.00
8	TFYR of Macedonia	11.40	0.00
9	South Africa	0.08	0.00
	Total	**55.26**	**0.36**

Product: Nuts, n.e.s., fresh/dried, whether or not shelled/peeled(080290)

Sr.No.	Importing Country	QTY(2009)	Value(2009)
1	Italy	449.38	0.33
	Total	**449.38**	**0.33**

Product: Figs, fresh/dried(080420)

Sr No.	Importing Country	QTY(2009)	Value(2009)
1	Serbia	111.93	0.07
2	Bosnia Herzegovina	5.20	0.00
	Total	**117.13**	**0.07**

Product: Lemons (Citrus limon/limonum) & limes (Citrus aurantifolia/latifolia), fresh/dried (080550)

Sr No.	Importing Country	QTY(2009)	Value(2009)
1	Greece	11.08	0.01
2	Hungary	1.60	0.00
3	TFYR of Macedonia	3.74	0.00
	Total	**16.42**	**0.01**

Product:

Peel of citrus fruit/melons, incl. watermelons, fresh/frozen/dried/provisio...(081400)

Sr No.	Importing Country	QTY(2009)	Value(2009)
1	Greece	0.41	0.00
2	TFYR of Macedonia	0.52	0.00
	Total	**0.93**	**0.00**

Product: Oranges, fresh/dried(080510)

Sr No.	Importing Country	QTY(2009)	Value(2009)
1	Greece	0.27	0.00
	Total	**0.27**	**0.00**

Product: Grapes, dried(080620)

Sr No.	Importing Country	QTY(2009)	Value(2009)
1	CÃ´te d'Ivoire	0.05	0.00
	Total	**0.05**	**0.00**

Source: UN Comtrade