

Development of the Halal Meat Supply Chain In Albania

For Sheep and Goat Meat

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1.1. Sheep and Goat Meat Subsector in Albania

1.1.1. Overview of Sheep and Goat Meat Subsector

1. From a total of 2.62 million small ruminants (sheep and goats) in Albania, about 1.8 million are sheep (milked sheep 1.3 million) and 0.82 million are goats (milked goats 0.6 million). About 1.7 million small ruminants are situated in hilly and mountain areas of the country.

2. The ratio “number of animals in year 2008/2000” is: total small ruminants = 86%; milked sheep= 93%; milked goats = 76%. The national mean flock size in the country is about 24 milked sheep/farm and about 23 milk goats/farm. The highest mean flock size of sheep farms is in Gjirokaster (100.4) and Korçe (51.5), and the lowest in Kukes (26.4). There are contrasting regional differences regarding flock size: respectively for sheep/goats Gjirokaster (62/38); Korçe (29/26); Kukes (24/15); Shkoder (8/18); Diber (13/9). The mean flock size in sheep and goat farms is relatively small, with the majority (about 80%) being in the range of about 10 to 50 animals.

3. In mountain areas of the country, the mean sheep flock size is about 44 animals. In about 50 % of sheep farms in the region of Korçe and about 60 % in the regions of Kukes, Diber, and Shkoder, the flock size is around 20 animals. The region of Gjirokaster has a constant distribution of sheep and goats farms in the range between 20 and 200 animals, in some cases even more than 400 animals. The mean goats flock size in the mountain area is about 44.5 animals. The highest mean flock size of goat farms is in Gjirokaster (82.6) and the lowest in Shkoder (36.1). From 75 to 80 % of goat flocks are at the range between 10 and 50 animals in Diber, Kukes, Elbasan, Shkoder. In more than 60 % of goats farms in Korça the flock size is 20 animals.

4. The main breeding system used by small ruminant farmers is agro pastoral: from May to September animals graze to mountain pastures, and from October to April they graze to arable land near the farm and to lowland winter pastures. The major regional features:

- Flocks’ transhumance: (i) Kukes and Gjirokaster: 35 % of the flocks; (ii) Diber and M.Madhe: 22 % of the flocks; (iii) Korçe, Shkoder and Elbasan: 5 % of the flocks.
- Daily grazing on natural pasture, with return of flock in the evening to the farm: (i) from 60 to 65 % of sheep flocks in all regions; (ii) from 50 to 60 % of goat flocks in all regions; and (iii) this system is more evident in Korca Region.
- From the other side, Korça and Shkodra are typical areas where are integrated grasslands with cropping system to use crop residues and maintain soil fertility. In fact, in the plain area of these two districts exists a type of “sheep/cropping” grass-legume based system where forage and sheep are integrated into economically viable and environmentally sound intensive systems. This is a good basis to develop intensive SR production models.

1.1.2. Sheep and Goat Meat Production and Consumption

5. Total meat production from small ruminants (live weight) is about 44.000 tons, of which about 60% is produced in the hilly and mountain areas. The main regional features of SR meat production are as follows:

- About 80 % of the farms produce from about 2 to 10 quintals of live weight small ruminants' meat per farm in all the central and southern regions, except Gjirokastra where meat production is almost constantly extended up to 25 quintals per farm;
- About 50 % of small ruminant farms of the northern regions (such as Kukes) have a mean production of 250 kg live weight SR meat per farm; The low production per farm in these areas is positively correlated with the small flock size;

6. The mean live weight of sold/slaughtered lambs is 23.2 kg. In general two weights are more frequent, 20 and 30 kg, depending on the season (winter or spring), use of pastures and supplementary feed, and selling at holiday's time. However, the percentage of lambs sold/slaughtered at around 15 kg live weight is still considerable in the region of Kukes (more than 25 %). The region of Diber seems to have an obvious "meat profile" where live weight of sold/slaughtered lambs is concentrated at 20 kg and especially 30 kg.

7. The mean live weight of sold/slaughtered goat kids is 20 kg. About 70 % of goat kids in Diber are sold/slaughtered at 21 kg live weight which newly confirms the meat profile of this region. In general, goat kids in the regions of Diber and Shkoder are sold/slaughtered with a higher live weight (from 20 to 30 kg) than in south (from 15 to 20 kg). A low mean weight of sold/slaughtering goat kids (mean 18 kg) is observed in the region of Korçe and in Kukes. In the south districts, especially in Kolonja and Permet, the traders collect live animals from farmers and keep them in pastures/stables to increase the live weight and to sell at best prices.

8. The number of collected lambs and goat kids is 200-250 heads per month, the collection distance goes to 50-100 km. The collection period is extended from April to August and during November-December.

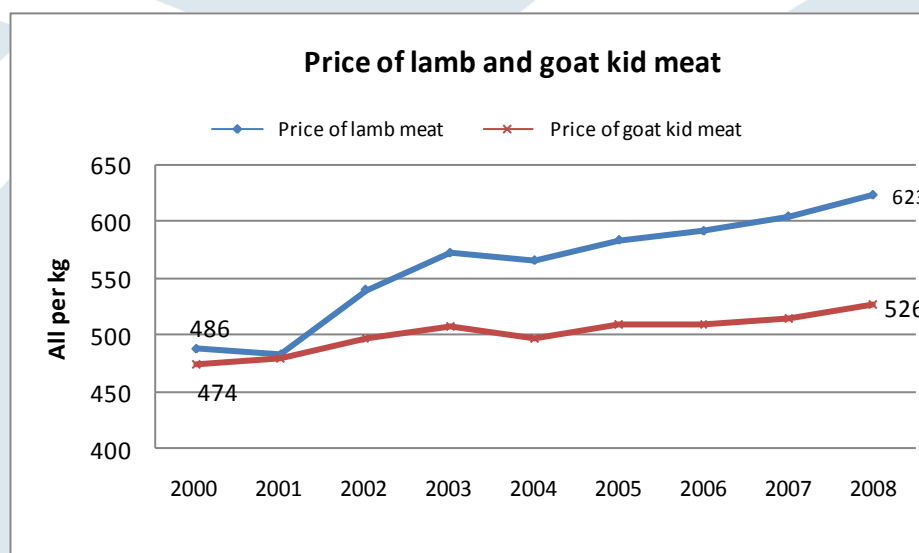
9. In the northern regions, the lambs and kids from the region of Kukes are sold mainly to Kosovo and Shkodra market, from Dibra in Tirana market, and in Shkodra directly to restaurants or to Tirana market.

10. Estimate of 5.74 kg per capita coincides with meat production reported by MoAFCP for 2003 of 38,000 Mt. If the figure is corrected to reflect meat production for 2008 of 43,000 Mt, the per capita consumption of mutton and goat meat increase to 6.64 kg.

11. Despite the increase in small ruminant' meat production, the meat prices is growing up. The following graph clearly reveals that both lamb and goat kid prices have grown between 2000 and 2008.

12.

13. The price of lamb has increased by 28% between 2000 and 2008. It reached 623 ALL per kg from 486 ALL per kg in 2000. The goat kid meat price has also increased significantly by 11% between 2000 and 2008.



Main Sheep and Goat Meat Supply Chain Actors

14. The livestock production of small ruminants is generally well adapted to the geographic and climatic conditions of Albania. The small ruminants bring value to the natural grasslands and have performances in line with the level of (poor) feeding. The lambs/kids have slow growth rates, low fat level and an excellent taste. The extensive production system determines the consumer's expectations for naturally grown animals.

15. The traditional production model is set to minimize costs and inputs, not to increase the output; given such objective, it is fairly efficient in the local conditions but not fitted to intensive production. Small flocks, between 10 and 50 heads, are still very numerous and the production is fragmented. Producers are mostly individual keepers, often middle-aged or elderly. But in every region, an increasing number of more professional and commercial holdings (superior to 100 heads) have better performances.

16. Local breed are well adapted to the Albanian climate and the local management practices. They are able to use limited food resources during winter or dry summer periods, to move for long distances during transhumance and resist diseases and parasites. Many breeders prefer local breeds. On the other hand, the productivity of these local breeds is low and the potential is limited, although not yet fully exploited.

17. The introduction of some imported breeds and application of crossbreeding can give better results, especially when applied in more intensive practices. There is evidence, that crosses produce good results

in farms with better management and feeding systems. Any breed to be used for commercial crosses needs to be assisted by specialized institutions in Albania. For this, the small ruminant breeding station in Korça would be the most suitable partner.

18. Lamb and goat kids meat are the most commonly marketed small ruminant products. The main market is for light lamb consumption in urban areas: animals that are two to three months old, 20 kg live weight, giving a yield of 10 kg of meat. This is by far the most sizeable and profitable market niche. Lambs and goat kids, marketed by restaurants is considered very profitable by farmers in certain regions (especially in Shkodra). Heavy lamb or goat kids (mean 20 kg of meat), used for the specific holiday needs and by restaurants, when the supply of standard light lamb/kids is scarce, is another market opportunity. At present, prices at production level are high and there is no real pressure on farmers to improve their performance. The price of lamb and goats kid meat in urban areas is very homogeneous, with limited significant segmentation based on price, quality or other market considerations.

19. Small ruminant meat from mountain areas in north and south regions of the country are considered to be of the highest quality. In the future, the marketing system should therefore include the classification of products by geographical region and other selected quality parameters (soil and climatic conditions, breeds, feeding programs).

20. The revenue of breeders is relatively low, due to small size of animal flocks (especially in the northern mountain areas), even if the value of live weight lamb and goats kid meat is relatively high. This is the result of low-intensity production systems. In general, it should be resolved by increasing the animals' slaughtering weight, intensification of the production by introducing crosses with meat breeds and improving/intensifying the feeding, and by extending the period (season) of marketing of small ruminants' meat.

21. The extension of marketing period can be achieved by out-of-season breeding or accelerated lambing systems, and by increasing the slaughtering age/weight through combined fattening (finishing period) in pasture and stable.

22. Rather small quantities of lamb meat (12.6%) are consumed on the farm, and lamb meat processing on farm is negligible. The main channel through which lamb meat moves to consumers and even to retailers is through meat collector. Around 42% of meat sold from farm is done through meat collectors. While the largest quantity of meat goes through meat collectors, important quantities of lamb meat goes also through meat retailers ("kasap"), more than one fifth of lamb meat is sold to collectors, or to consumers by meat retailers. Lastly, large quantities of meat are directly marketed by farmers directly to consumers. In case of lamb meat, 23.2% of lamb is directly sold from farmers to consumers.

23. Flow of goat kid meat follows almost the same pattern, with the following differences: slightly more goat kid meat than lamb meat is consumed within household, slightly more goat kid meat than lamb meat is sold to meat collectors, and less goat kid meat than lamb meat is processed by retailers.

24.

25. The meat marketed through meat collectors is, as a common case, processed in slaughterhouses or slaughter points, and then sold to retailers (“kasap”) and other outlets, mainly restaurants, as shown schematically in the picture Chain of actors and product flow (the right panel of the picture).
26. Collector of live animals that buy to the opened market of the live animals and sell to restaurants; meat shops or to the urban area: slaughter by butchers (pay a fee for slaughtering) or slaughter in their own facilities. Meat distribution is made by private butchers. They buy live animals directly from farmers, animal collectors, or in the livestock markets, and especially in potential SR production area.
27. Referring the veterinarian control of the animals and their carcasses, they should be controlled by the veterinarian who put the seal on carcasses. There are two control levels made by veterinarian service of local government: one in the slaughter house and one in the shops. For each seal given, the shoppers or butchers should pay a tax (100 Lek for animal).
28. Most of the meat shops in urban area are equipped with refrigerator to store the meat and have acceptable condition referring the hygiene and properly facilities, water, cleanable area, etc. Super markets or big shops owned by meat processing businesses are among the most reputed outlets and are anyhow the best equipped with good hygienic conditions.

PROJECT DESCRIPTION

Rationale

29. 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 ruminants’ 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 has signed Free Trade Agreements (FTA) with EFTA parties, EU member countries, CEFTA member countries and Turkey.
30. In addition to the above, Albanian is doing its best to establish favourable and enabling environment in the sector. The food safety and competitiveness of farming and agro-processing are covered by strategic framework developed by GoA. Small ruminants sub-sector (sheep and goats) is also part of strategic framework. The livestock sector development is determined as one of the main priorities and detailed in the Agriculture Development Strategy and the Food Safety Strategy. A number of donor funded projects support food safety and competitiveness of small ruminants’ products. A government subsidy scheme provides direct support to small ruminants sub sector both at farming and agro-processing level. The direct support provided to small ruminants sub-sector is considered as insufficient.
31. Islam is the world largest religion, also the fastest growing, with a Muslim population in the world of approximately 1.82 billion in 2009. Increasing awareness of Muslim consumers on their religious

obligations creates greater demand for halal food and other consumer goods. Within this context, Albania has an important potential for development of sheep and goat meat sector, and especially for the development of “halal meat value chains”. With the rapid growth of the halal food demand in the region and the promising prospects for export, Muslim countries may emerge as major promising markets for export of Albanian sheep and goat meat and products. Albanian small ruminants sector, a semi extensive meat production system and being almost organic, has high potentials to enter this market, provided that proper measures are taken to manage all parts of the meat supply chain according to the halal meat production and handling rules and procedures.

32. 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.

Project Goal and Objectives

33. **The Goal** of the project is to increase meat sector competitiveness and improve households’ income in the target rural areas of the country.

34. The **specific objectives** of the project are:

- Development of a competitive export oriented halal meat supply chain for sheep and goat meat in Albania;
- Increase of production and trade of the high quality sheep and goat meat products from targeted area;
- Increase of incomes and employment in farm households and enterprises in the target areas;

Proposed Project Approach

35. The proposed project approach is based on the development and management of various elements of the halal meat supply chain and management of most important Halal Control Points (HCP). The following table presents the main elements of the proposed halal meat production, processing and handling approach (more detailed procedures should be developed during the final project preparation and development).

Producers ↓	<ul style="list-style-type: none"> • Well informed, trained and qualified producers, rearing sheep and goat according to well established halal animal rearing and meat production procedures.
Species and breeding	<ul style="list-style-type: none"> • Selection of appropriate species and breeds to be reared according

↓	to the acceptable halal practices.
Livestock farming ↓	<ul style="list-style-type: none"> Feeding and rearing animals according to halal practices related to animal welfare.
Slaughtering process ↓	<ul style="list-style-type: none"> Careful selections and application of halal practices (relating to stunning, knives, slaughter personnel, slaughter methods, invocation, etc.).
Meat handling and processing ↓	<ul style="list-style-type: none"> Ensure that the product or its ingredient do not contain any components or products of animals that are forbidden by <i>Shariah Law</i> or animals that are not slaughtered according to <i>Shariah Law</i>. Ensure that the product does not contain anything in large/small quantities which is considered as forbidden according to <i>Shariah Law</i>. Ensure that the product is prepared, processed, manufactured using equipment and facilities that are free from contamination with forbidden products. Ensure that during the product preparation, processing, storage or transportation, it is separated from any other food that does not meet the requirements specified above. All halal meat products that are stored, displayed, sold or served should be categorized, packed and labeled as “Halal” at every stage of the process so as to prevent it from being mixed or contaminated with things that are forbidden.
Retailing ↓	<ul style="list-style-type: none"> Halal meat should be sold only in halal acceptable (and/or certified) outlets.
Consumers	<ul style="list-style-type: none"> Safety and health, information and quality reassurance, animal welfare, convenience.

Source: Based on: Riaz and Chaudry (2004) and our processing.

Proposed Project Components

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

- (a) **Component 1: Development of halal meat production system;**
- (b) **Component 2: Development of halal meat processing and handling system;**
- (c) **Component 3: Supply chain management and support services.**

37. The following table presents the main structural elements of the three proposed project components:

<p><u>COMPONENT 1:</u> Development of halal meat production system.</p> <p><i>Dealing with the production part of the supply chain, from:</i></p> <p style="text-align: center;">Producers ↓ Species and breeding ↓ Livestock farming</p>	<p><u>COMPONENT 3:</u> Supply chain management and support services.</p> <p><i>Dealing with the overall supply chain management, including various necessary cross-cutting organizational and management elements of the supply chain and provision of technical assistance, marketing and other investment management services</i></p>
<p><u>COMPONENT 2:</u> Development of halal meat processing and handling system.</p> <p><i>Dealing with the processing and handling part of the supply chain from:</i></p> <p style="text-align: center;">Slaughtering process ↓ Meat handling and processing ↓ Retailing ↓ Consumers</p>	

C-1: Development of halal meat production systems

38. An important part of the implementation of the halal meat supply chain is the production of halal meat at the farm level. This component would provide the means for implementation of planning and organisational elements for the production of halal sheep and goat meat, including selection of the farms where the halal meat will produced (supply from), types of species and breeds, and the breeding/rearing practices in compliance with the halal procedures.

39. In order to secure truly halal sheep and goat meat from the supplying farms, within this component, the project would seek to implements various activities such as:

- identification and selection of farms and farmers which have potential for production of good quality halal food;

- develop clear procedures and guidelines related to steps/practices to be strictly applied by farmers in rearing animals in order to comply with religious requirements and the halal conceptual and procedural issues (including selection of animal breeds, animal feeding ingredients and practices, animal welfare and safety conditions, etc.);
- implement requirement training and capacity building activities in order to capacitate/empower farmers/producers in application of the required steps/practices that would need to be followed during the whole production system;
- implementation of a certification system for the selected halal meat producers;
- development and introduction of necessary contract farming and supply arrangement with the selected certified farmers/producers based on transparency, trust and enforcement rules;

40. In order to increase the quantity and intensify the production, the project in cooperation with the selected farmers/producers and with the support of various local Albanian support institutions, may consider fostering the following production practices: (i) out-of-season breeding; (ii) intensive (accelerated) lambing system; and (iii) fattening (finishing) centres to improve production and quality. The Annex 2 attached to this document presents more details about these types of interventions.

41. In order to speed up the introduction of improved meat 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 transfer and competitiveness of meat produces. 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 farmers (meat producers) may range from about 20%-30% of the total investment for existing meat producers to about 40% for new producers. The maximum co-financing amount would be USD 10,000, but the majority could be less than about USD 6,000 per farm.

42. It should be noted that the provision of such co-financing has been highly successful under the other current projects/programmes in Albania and has been a major impetus to the development of sustainable rural investments in various supply chains in the country. The risks of co-financing would be low, due mainly to the high level of client funds required to match the externally provided capital injection.

C-2: Development of halal meat processing and handling system

43. This component will include three main groups of activities, as follows: (i) animal collection, transport, slaughtering system; and (ii) meat processing and handling system (including packing and labelling); (iii) introduction and establishment of food safety standards and procedures.

44. The indicative types of activities to be implemented under this component may include (but not limited to) the following:

- Careful selections and description (in the form of procedural guidelines) of necessary halal practices relating to acceptable collection and transport practices and means, slaughtering practices and tools (stunning, knives, slaughter personnel, slaughter methods, invocation, etc.).
- Establishment of a halal certified slaughterhouse in order to ensure that all the procedures and more controllable and manageable.
- Investment support and capacity building to supply chain actors, in order to improve the animals collections and transport and make it compliant to the Shariah Law; ensure that the meat products or their ingredients do not contain any component or product of animals that are considered as forbidden according to Shariah Law; ensure that the meat products are prepared, processed, manufactured using equipment and facilities that are free from contamination with forbidden products; ensure that during its preparation, processing, storage, displayed or sold the meat products are categorized, packed and labelled as “Halal” at every stage of the process so as to prevent them from being mixed or contaminated with things that are forbidden by Shariah.
- The project would also facilitate access for supply chain actors to specialist project support in order to improve their skills and ability to conduct and/or participate in successful business ventures within the sub-sector supply chains. Some examples of these supporting measures are training to enable the introduction of appropriate standards and certification of compliance (e.g. ISO/HACCP).

45. This component would provide financial support to the supply chain actors involved in collection, transport, processing and handling of the sheep and goat meat. To complement financial resources mobilized by an existing SME or private investors, the project would provide additional equity financing. In addition, the project would also seek ways to promote access to clients to commercial credit from Banks and Non-Bank Financial Institutions.

46. The equity financing would be extended to both existing SMEs and start-ups within the selected value chains. The project may invite proposals within the SMEs participating in the selected supply chain SMEs, with preferences being given to business proposals with strong backward linkages to quality meat producers and to business proposals complying with project quality standard criteria.

47. The project would hold its equity participation for at least three years to ensure that sustainable and effective linkages, as well as trust and confidence, are built between investors and smallholders/small producers. Its shares would then be bought back by the owners of the SME, or new investors, through the use of a pre-agreed “put” option exercised by the project. These funds obtained by the buy-back would then be used to re-finance other similar equity investments. The maximum amount of the equity investment would be USD 50 000, and the project shareholding be up to 30-40% of the total company share capital.

48. Investor(s) from own resources or from borrowed funds would provide the balance of the financing required. The panel would also propose a set of indicators to measure the impact and performance of the investment. The financing agreement for the provision of equity would specify the equity percentage held by the project, its seat on the company Board, inalienability of the project shares for at least three years

after financing, the mechanism for their re-purchase, the co-financing amount and the targeting indicators to be monitored. In addition, some SMEs would also be provided with technical assistance package to improve technical and managerial skills.

C-3: Supply chain management and support services.

The activities of this component will consist mainly of two groups of activities, as follows: (i) establishment and management of a halal compliant traceability and control system for the selected sheep and goat meat supply chain; and (ii) overall management of the selected halal meat supply chain, including management of human and financial resources.

49. The first group of activities, “establishment and management of a halal compliant traceability and control system” for the selected sheep and goat meat supply chain, in order to ensure that:

- The animals collected, transported and slaughtered according the procedures provided by Shariah Law;
- The meat products or their ingredients do not contain any component or product of animals that are forbidden by Shariah Law;
- The meat products do not contain anything in large/small quantities that is considered as forbidden according to Shariah Law;
- The meat products are prepared, processed, manufactured using equipment and facilities that are free from contamination with forbidden products.
- During its preparation, processing, storage or transportation, the meat products are separated from any other food that does not meet the requirements specified above.
- All halal meat products that are stored, displayed, sold or served are categorized, packed and labeled as “Halal” at every stage of the process so as to prevent them from being mixed or contaminated with things that are forbidden by Shariah.
- Halal meat should be sold only in halal acceptable (and/or certified) outlets.
- Safety and health, information and quality reassurance, animal welfare, convenience, etc., are in accordance with procedures provided by Shariah Law.

50. The second group of activities, “overall management of the selected halal meat supply chain” will include also the management of human and financial resources of the project. A project management unit would be established composed of the key management and 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.

Project Implementation

51. 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.

52. 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.

53. 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. Similarly, the development of new financial products and approaches will be staged within the overall involvement and development of the selected banks and other non-bank financial institutions.

54. A Project Steering Committee (PSC) 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.

55. 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.

56. A Project Manager (PM) will be selected by the 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.

57.

However, the details of the necessary experts/consultants needed throughout the project would be developed during the final project design.

Risk Identification and Mitigation

58. 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 value chain organizations and local action groups, it may prove to be necessary for some intensive training and mentoring of service providers. This is accommodated under the first component.
- (c) The insufficient preparation and low awareness level of producers and other supply chain actors to fully understand the halal concepts and practices, as these practices are still new in the Albanian condition (these concepts and practices have started to be developed in Albania only few years ago). However, in order to avoid this risk the project has foreseen sufficient awareness raising and capacity building activities for all supply chain actors.
- (d) The insufficient enforcement of the veterinary legislation and limited availability of financial resources. The risk will strongly impact the achievement of one out of the five results identified and specifically the one dealing with the veterinary inspection capacity. Nevertheless, it has to be

pointed out that even if the risk related assumption will result not true, the project will be however able to fully achieve the establishment of the food chain. Actually, the guarantees for the consumer will be provided by the self-control (ISO/HACCP), at least.

PROJECT COSTS AND FINANCING

Estimated Project Costs

59. 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.

60. The total base cost for the investment and incremental recurrent project costs, excluding physical and price contingencies, is estimated at about USD 6.7 million. Table 1 below presents the project costs by components.

Table 1. Project Costs by Component

Project Components	Amount	%
1 Development of halal meat production systems	2,472.0	36.9
2 Development of halal meat processing and handling system	3,097.0	46.2
2 Supply chain management and support services	1,133.1	16.9
	6,702.1	100.0

Potential Project Financiers

61. On current estimates, a donor financing would covers about USD 4.5 million (or about 67% of the total project costs). The total amount of donor financing, 34% (USD 1.5million) would be used to finance the first component (development of halal meat production system), about 46% (USD 2 million) for second component (development of the halal meat processing and handling) and about 20% (USD 0.9 million) for the third component (supply chain management and support services). The Government of Albania contribution 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 1.3 million (19% 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 0.6 million, or 10% 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)

Project Components	Donor		The Government		Banks/NBMFIs		Beneficiaries		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1 Development of halal meat production systems	1,500.0	33.6	27.0	9.5	405.0	60.0	540.0	42.2	2,472.0	36.9
2 Development of halal meat processing and handling system	2,040.0	45.7	47.0	16.6	270.0	40.0	740.0	57.8	3,097.0	46.2
2 Supply chain management and support services	923.5	20.7	209.6	73.9	-	-	-	-	1,133.1	16.9
Total PROJECT COSTS	4,463.5	66.6	283.6	4.2	675.0	10.1	1,280.0	19.1	6,702.1	100.0

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

Albania
Table 2. Development of halal meat production systems
Detailed Estimated Costs by Financier
(US\$ '000)

	Donor		The Government		Banks/NBMFI		Beneficiaries		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
I. Investment Costs										
A. Investment with equity financing										
1. Production investments										
a. Equity financing	1,350.0	100.0	-	-	-	-	-	-	1,350.0	762.7
b. Beneficiaries' contributions	-	-	-	-	-	-	540.0	100.0	540.0	305.1
c. Debt financing	-	-	-	-	405.0	100.0	-	-	405.0	228.8
Subtotal	1,350.0	-	-	-	405.0	100.0	540.0	100.0	2,295.0	533.9
2. Producers capacity building										
d. TA-specialist and consultant	85.0	56.7	15.0	10.0	-	-	-	-	100.0	56.5
e. Trainings and study tours	40.0	26.7	12.0	8.0	-	-	-	-	52.0	29.4
f. Others	25.0	16.7	-	-	-	-	-	-	25.0	14.1
Subtotal	150.0	100.0	27.0	18.0	-	-	-	-	177.0	100.0
Total	1,500.0		27.0		405.0		540.0		2,472.0	
in %	60.7		1.1		16.4		21.8		100.0	

Albania
Table 3. Development of halal meat processing and handling system
Detailed Estimated Costs by Financier
(US\$ '000)

	Donor		The Government		Banks/NBFI		Beneficiaries		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
I. Investment Costs										
A. Investment with equity financing										
1. Investment in slaughterhouse										
a. Equity financing	950.0	100.0	-	-	-	-	-	-	950.0	71.4
b. Beneficiaries' contributions	-	-	-	-	-	-	380.0	100.0	380.0	28.6
Subtotal	950.0	100.0	-	-	-	-	380.0	100.0	1,330.0	100.0
2. Other VC investments in SMEs										
a. Equity financing	900.0	82.6	-	-	-	-	-	-	900.0	50.9
b. Beneficiaries' contributions	-	-	-	-	-	-	360.0	100.0	360.0	20.4
c. Debt financing	-	-	-	-	270.0	100.0	-	-	270.0	15.3
d. TA-specialist consultant	120.0	11.0	35.0	3.2	-	-	-	-	155.0	8.8
e. Trainings and study tours	45.0	4.1	12.0	1.1	-	-	-	-	57.0	3.2
f. Others	25.0	2.3	-	-	-	-	-	-	25.0	1.4
Subtotal	1,090.0	100.0	47.0	4.3	270.0	100.0	360.0	100.0	1,767.0	86.6
Total	2,040.0		47.0		270.0		740.0		3,097.0	
in %	71.3		1.6		9.4		25.9		108.3	

Albania
Table 4. Supply chain management and support services
Detailed Estimated Costs by Financier
(US\$ '000)

	Donor		The Government		Banks/NBMEs		Beneficiaries		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
I. Investment Costs										
A. SC Management & support services										
1. Equipment and goods	9.8	4.8	2.4	8.1	-	-	-	-	12.2	5.2
2. Vehicles	60.0	29.5	15.0	50.8	-	-	-	-	75.0	32.2
3. Technical Assistance	36.0	17.7	9.0	30.5	-	-	-	-	45.0	19.3
4. Trainings and workshops	12.3	6.1	3.1	10.5	-	-	-	-	15.4	6.6
5. Studies and surveys	85.0	41.9	-	-	-	-	-	-	85.0	36.5
Total Investment Costs	203.1	100.0	29.5	100.0	-	-	-	-	232.6	100.0
II. Recurrent Costs										
a. Project management salaries and allowances	365.5	50.7	91.4	50.8	-	-	-	-	456.9	50.7
b. Social security contribution	73.1	10.1	18.3	10.2	-	-	-	-	91.4	10.1
c. Operation and maintenance	85.0	11.8	21.2	11.8	-	-	-	-	106.2	11.8
d. Other operating costs	196.8	27.3	49.2	27.3	-	-	-	-	246.0	27.3
Total Recurrent Costs	720.4	100.0	180.1	100.0	-	-	-	-	900.5	100.0
Total	923.5	81.5	209.6	18.5	-	-	-	-	1,133.1	100.0

ANNEX 2: POTENTIAL INTERVENTION FOR INTENSIFICATION OF SHEEP AND GOAT MEAT PRODUCTION

In order to increase the quantity and intensify the production, the project in cooperation with the selected farmers/producers and with the support of various local Albanian support institutions, may consider fostering the following production practices:

(a) Out-of-season breeding

Primary advantages of out-of-season lambing are: (i) to market lambs/kids when the market supply is low and prices are high (December-March); (ii) to produce lambs/kids when rate of growth and cost of feed may be more favourable. The period of lambing can be influenced with the adoption of 'flushing'. This technique involves increasing the level of feeding of the ewe/goat during the mating period (approximately 30% during one month); additional weight would be gained by good pasture and additional grain. The technique has already been successfully tested in Albania. During the winter period the combination of alfalfa with cereal is recommended. The objective is to attend the market during holidays and in the period December-March when the offer is very low and the market requires it with best price (400-450 lek/kg live weight).

Two scenarios may be considered: First scenario (primary advantage): stimulate flock mating in April-May; births in September-October; sale during December-March when the price is 400-450 lek/kg live weight (keep lambs/kids from 3 to 5 months with milk, pasture, supplementary feed). Second scenario: bringing into synchrony the lambing period with the pasture growing season (early spring). The advantage is that the production cost can be lowered significantly. Profit is defined in the simplest terms as gross return minus costs. SR farmers could be motivated having a great deal of control over their cost of production.

Lambing should occur two to three weeks after spring pastures growth begins, depending upon north-south location. The determining criteria are when good pastures growth begins and when the weather is conducive to outside lambing. The system is designed to lower production costs by minimizing feeding of harvested feedstuffs, lowering death loss by lambing in more favourable weather, and reducing labour by letting the ewes feed themselves and not handling every ewe at lambing time.

Lambs are grazed all season with their dams and, in case of available summer pastures, are marketed in August-September. Otherwise, lambs can be sold for finishing to collectors. Other advantages of spring lambing: (i) increases lambing percentage due to higher fertility associated with shorter day length and typically cool temperatures in the mating season; (ii) winter cost of pregnant ewes is lower; low quality pasture is required supplemented with hay through late winter or heavy snow cover.

(b) Intensive (accelerated) lambing system

The most recommended and used system is 3 lambing in 2 years. The average lambing interval is 8 months, or lambing frequency of 1.5 lambing per ewe per year. The system has fixed mating and lambing

schedules: April-May mating/September-October lambing, or January mating/June lambing, or September mating/February lambing. The “8-8-8” month intervals can be adapted to 7-7-10 or 7-8-9 month intervals to better fit the climatic conditions and feed resources. The system has limitations that could be avoided through careful interventions: (i) the system requires higher resources and management inputs and should be considered only when producer can provide adequate nutrition for the ewe and the lambs; (ii) it is not recommended for extensive range conditions lacking the necessary feed resources and management options, and; (iii) it is difficult to increase the frequency of lambing and avoid the complications of seasonal restrictions. The economics of the system must be studied carefully. Increased income from extra lambs must compensate for added costs and labour input.

(c) Fattening (finishing) centres: improve production and quality

Finishing lambs in pasture combined with stable is a known practice in Albania. In a certain way, the main function of the stable is to reach an optimal market weight and to adapt the slaughtering of animals to market demand.

The fattening (finishing) centres can improve meat quality and economic results. They can represent a good orientation for the future policy. Some factors that favour the utilization of such centre: the better logistics for the livestock chain when collecting the animals in a central structure, the possibilities for orienting the production to better meet market requirements (age, weight, etc.), as well as the control of animal identity and origin (traceability).

The lambs/kids are collected during April-August and November-December. They are sold in July-August in restaurants for wedding ceremonies, and during the holidays at the end of year.

Furthermore the farmers seem to be interested in this kind of structure, as a destination for their lambs/kids, especially when feeding becomes scarce (buffer) and the milk produced by sheep/goats is not sufficient to raise all lambs/kids. Good margins can be achieved even with relatively small units and at very modest levels of investment.

The available information from focus meetings and interviews with key persons seems to suggest, therefore, that investment in the development of fattening centres could represent a good opportunity.

We understand that, creating and approving a good quality producers/suppliers network is time-consuming but may save a great deal of time later in the production and planning processes. Given the evolving market, it may be necessary and prudent to establish clear halal processes at a few key supplier locations.