

**ORGANIZATION INFORMATION**

<b>1. Name of organization:</b>		
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<b>8. City/ Town/ Village:</b> Tropoja		
<b>9. Type of organization (tick in box below)</b>		
Academic	Non-Governmental Organization	*Private-for-profit
International NGO	Cooperative	Individual
Foundation	Government agency	Other (specify type of organization)

**BASIC PROJECT INFORMATION**

**10. Title of your project proposal: The collection, Storage and Full Processing of Cultivated Chestnut in the Northern-East of Albania**

**11. Project Summary (Suggested limit: 250 words)** Please summarize your project. The summary should include three main sections: Objective, Rationale, Effectiveness (See for examples Annex A at the end of this form):

**Objective:** To provide the quality chestnuts processed products through improvement of the storage facilities, application of new technologies of production and providing the market access.

**Rationale: Poverty reduction - improving the level of rural households: Chestnut** production is one of the most important sources of income for the majority of rural households in Tropoja region. It is even more important for those living in very remote, mountainous and poorer areas where chestnuts production is almost the main source of cash income other than remittances and economic assistance.

**Market opportunity.** Chestnut production has increased in Albania. While it is leading, slowly, there are niches in the market, particularly for new, better quality, and better-presented products.

**Quality.** Chestnut products from Tropoja are widely recognized to be of superior quality. There is an increasing demand for better quality products based upon improvements in chestnut collection, processing new types of processed products, packaging conditions etc.

**Committed Processor and Farmers:** Producers are conscious of the need and are willing to improve product quality and expand market to meet consumer demand. Collectors have the capability to expand production. The chestnuts processing enterprise would be unique in the country

**Location and know-how:** Large areas of chestnuts in the region. Traditional perception of quality for chestnuts of Tropoja region. Good access to main markets. Sound technical knowledge and experience of chestnuts production.

**Effectiveness:**

The project would widely contribute in income generating of 5000 rural households who consider the chestnut collection and its sale as the main source of their incomes. The project have foreseen to purchase from the farmers and to process more than 400 t chestnut per year. It would induce the farmers increasing their collected chestnut’s amount, therefore increasing their incomes.

The investment undertaken would influence in having a relatively high profitability of financed enterprise. The project would bring new products of processed chestnuts for the first time in Albanian market and would introduce a new system of production in compliance with EU standards.

It would contribute to create new employment opportunities extending to the poor and women benefited from those

opportunities in both enterprise and in chestnuts collection process.

The project also will contribute in procurement strategies of the processing chestnuts enterprise through development of the contract farming, delivery of technical assistance or other value chain management techniques. It would contribute in facilitating the access to new markets especially through national retailers; supermarkets and exporter. The project would considerably contribute in regional and cross-border collaboration.

**12. Total amount needed to implement the project proposal (in US\$): 125 000 USD**

**PROJECT DETAILS**

**13. How will your project address the problem of unemployment? (Suggested limit: 200 words):**

Based on chestnut specific study for northern-east region carried out by Mountain Areas Development Agency (MADA), the chestnut areas in that region include 2000 ha or 48% of the total area which is concentrated in 7 Commune of Tropoja district. In this region live 22 000 people that represent 76% of the rural population or 50% of the population in district level. A chestnut collectors association was established to coordinate activities, strengthen linkages between them, exchange and disseminate information, improve the level of technical knowledge and improve marketing. The association has not been very active due, mainly, to initial overoptimistic expectations as to benefits.

The project would widely contribute to create new employment opportunities in financed enterprise and in chestnuts collection sector. In the condition of total unemployment in the region, the number of people employed is foreseen to be 5000 collectors or 22% of the total population who would be contracted by the enterprise in order to purchase their collected chestnuts and where 60% of them are young.

The enterprise would employ 15-20 people with full-time contracts and more than 50 people with seasonal contracts. The project would pay attention in extending to employment of poor and women. Female workers might present a potential advantage compares to male in some particular performing chestnuts activities.

The project also includes the capacity of the enterprise to contribute to development of skills and capacity of employees. So, the enterprise has planned to qualify the staff members through trainings and technical assistance. Develop training and extension activities to improve agronomic practices would be undertaken for the collectors.

**14. Briefly describe what makes your project innovative. (Suggested limit: 200 words) (Please refer to Annex B for the “Typology of Innovation” at the end of this form):**

- Chestnut industrial processing is unique and quite new in Albania. The chestnut collection would be based on traditional methods combined with new ones of the collection process. The new methods of collection and conservation are based on utilization of cotemporary storage facilitates that would be applied in the process through establishing of a storage with modern cool and ventilation system.
- Processing new technology that would be installed in enterprise is modern and it is the first of that type in our country.
- The enterprise would produce for the first time in Albania the chestnuts processed products such are dry chestnuts, chestnut flour, chocolate, compote which would be qualitative and quite new assortments in Albanian and regional markets.
- The production would be accompanied with significant effort to development of brand of products in compliance with EU standard. The new chestnut products would stimulate the new foodstuff production, which will use chestnuts products as row material.
- The enterprise would apply a new strategy in terms of procurement of chestnuts collectors through development of contracts farming which will significantly improve the quality of collected chestnuts and would promote the farmers initiatives to the increased production.
- The utilization of the new and modern production system (e.g. usage the new technology, development of brand, certification of quality, development the new products) could in fact positively impact on the capacity to access new market. For example the enhanced compliance with EU standards of quality would constitute an advantage in accessing international markets

**15. What are the expected results and beneficiaries of your project at the end of the one-year implementation period?** Indicate how many beneficiaries your project expects to reach within the funding and duration of Development Marketplace support (**Suggested limit: 150 words**):

The expected results and beneficiaries of the project at the end of the one-year implementation period would be as following:

- The enterprise building rehabilitated and prepared for the equipment installation.
- Drying, selecting, grinding and packing equipment purchased and installed.
- Developed and signed contracts between collectors, workers and processor.
- 15-20 full-time workers employed and 50 seasonal workers contracted.
- 15-20 contracted workers trained at the end of the first year of implementation.
- 200 ton collected and processed chestnuts in the final products (dry and grinded chestnuts)
- Tested markets and packs provided.
- 3000 collectors (farmers) contracted for purchasing their production for the first year.
- Increased employment in the region.

**16. Briefly describe how your project can be replicated/expanded (Suggested limit: 150 words):**

After the first year the possibility for the extension of the activities would tent to:

New products such are chestnuts chocolate and compote in the second year of the implementation would be produced. It would bring the increase of the capacity of the enterprise processing from 200 t processed chestnuts in first year to 400 t-processed chestnuts in the second year of the implementation period. Increased production capacity and products types of the chestnut would be accompanied with purchase of additional new lines of machineries for producing the chestnuts chocolate and compote. (See the millstones below)

The number of collecting farmers contracted by the enterprise would be increase from 3000 in the first year to 5000 in the second and third year.

During the second year of the project implementation a new line of packing of the production would be purchased. It is supposed to improve the quality of the products and to affect the access in markets.

A good collaboration with partners (MADA, etc) for strengthening the forward or market linkages is foreseen. The collaboration with the agencies, institutions would strongly support the activities to brand development, product certification and effort for export would be undertaken.

**17. Is your project addressing the issue of youth unemployment and/or regional cooperation? If yes, briefly describe how (Suggested limit: 150 words):**

The project would promote the inclusion of young farmers in the chestnuts collection activities. About the 60% of the farmers or 3000 people supposed to be employed in project activities would be young people. About 10-15 full-time contracted workers and about 30 seasonal contracted workers supposed also to be young people.

The enterprise would have capacity to contribute to development of skills and capacity of young employees. So, the enterprise would qualify the young staff members through trainings and technical assistance. Develop training and extension activities to improve agronomic practices would be undertaken for the young farmers.

The project address the issue of regional cooperation in terms of managerial improvement of chestnuts forestry laying cross-border areas of Pogradec, Librazhd, Kosova and Macedonia.

The project would influence in improvement of information exchange on chestnuts products, markets channels that in the area are lacked.

**ACTIVITIES OF THE PROJECT**

**18. Project implementation and milestones (Suggested limit: 800 words)**

List and describe the concrete activities that the project will undertake to implement for the duration of the grant. If selected as a winner, your project will be given an initial payment (~50%) to begin implementation. You will then be expected to meet the first set of milestones before being paid the remainder of the grant funds. Therefore, please structure your implementation plan/ timeline under two sets of milestones that will correspond with the project payments.

**Implementation Activities/ Milestones after first payment:**

- Rehabilitation of the building of enterprise during the months July-August 2006.
- Purchase of drying, grinding and packing machineries and their installation during the months August-September 2006. The machineries would be purchased in Italy and they represent the new technology in this sector.
- Training and qualification of new workers with knowledge on new installed technology. The training would be organized either from the exporting company or from the hired institution.
- Collecting and storage of 200 t chestnut from 3000 farmers during the months October-November 2006 Chestnuts processing starting by October 2006 and after.
- Packing of the production and market testing during the month October 2006 and after.
- Selling the production during the November and after.

**Implementation Activities/ Milestones after second payment**

- Purchasing of chestnut undressing machineries.
- Purchasing and installing of chestnuts compote and chocolate production machineries.
- Workers' Training and qualification for new machineries usage.
- New packing and brand development for new types of products.
- Their marketing. (testing of markets, joining the contracts ect.)

**19. Organizational Sustainability: Project Team and Partners (Suggested limit: 200 words)**

Applicant Organization: Describe the role of the applicant organization.

The applicant is the private juridical subject named "Dardania"Shpk, with administrator Mr. Agim Haxhiaj who is the owner of the company. The technical (professional) staff of the company is represented by:

- 1 Financial Manager
- 1 Manager responsible for chestnuts collecting process
- 1 Production and sales manager
- 1 Storekeeper
- 1 Production Chemist
- 2 Other

Main Partner Organization (if applicable): Please list the contact information of your partner organization and explain the partner's role in your project.

The main partner organization would be Mountain Areas Development Agency (MADA). The Mountain Areas

Development Agency (MADA) was established in 2001 under the Mountain Areas Development Programme (MADP) and is being developed as the regional development agency for the mountain areas. Its objective is to improve the quality of life of the people in the mountain areas within the framework of the Vision for Mountain Areas Development.

MADA would collaborate with the company as advisory agency in order to encourage profitable, sustainable and balanced development in enterprise. It can support activities develop and implement them on a participatory basis targeting, primarily, in the chestnut collectors (farmers) and other aspects of private sector as per its programs.

MADA would provides planning and programming; information, technical, financial and management support; and fund management services through its headquarters and regional office. MADA can support on production guaranty and brand development etc.

### **MONITORING**

**20. Briefly describe how will you monitor the progress of the project (Suggested limit: 150 words):**

The objective of monitoring the physical progress is to make possible the quantity and quality evaluation, the efficiency of activities physical implementation. Monitoring would includes:

- 1) Financial monitoring and reporting which would be based on AWP/B and in financial project, prepared by manager of finance who would report to the administrator
- 2) Monitoring and reporting of project physical progress which is based on AWP/B , prepared by sector managers and reported at Administrator.

Documenting and analyzing of the key indicators of financial and physical progress would enable the identification on the proper time of the problems and the possible solutions regarding Project implementation. The identification of possibilities for improvement in project activities designing would be possible too. These improvements are key elements in the important process of project implementation.

We would be enabling to monitor Inputs in quantity, quality, time, and efficiency. The inputs we will monitor would include funds, staff, equipment training and technical assistance. We also can monitor the activities belongs three chains of chestnuts value chain. A set of the indicators would be recorded in the enterprise that would be possible the monitoring the activities implementation in different sector of the project.

### **EVALUATION**

**21. Briefly describe what will you consider to be the success of the proposed project (Suggested limit: 150 words):**

The evaluation system would be designed for enterprise aims at providing a methodical assessment of the successes and achievements of the project. In particular, the system explores the achievement on both enterprise and collection process by questioning the changes occurred in enterprise profitability. The system attempts to shed light on the external and indirect effects of company activities by looking at the changes occurred at level among clients (or suppliers) of the project supported enterprise.

The hypotheses for the success of the proposed project are:

*1. Increase profitability at the level of the supported enterprise as well as among its clients (or suppliers).*

Some indicators for the hypotheses would be recorded in the enterprise:

- Quantity of the supported/innovative product sold;
- Revenue from the supported/innovative product;
- Number of clients for the supported/innovative product;
- Number of suppliers for the supported/innovative product;
- Increase in the value of enterprise assets;
- Return on Equity (ROE); Return on Investment (ROI)
- Enterprise profit.

*2. – Project activities and services would reduce household underemployment and enhance employment.*

The indicators:

- Change of percentage of household labour in the face of increase in labour requirement in chestnuts collecting sector;
- Change of percentage of employees in the face of increase in labour requirement in the enterprise.

*3. Project activities improve the living standard, the women, the children condition and the food security of the households involved in chestnuts enterprise. (We would make effort to measure this hypotheses of success of the project in change in living standard that is considered as difficult one)*

- Percentage of households who record an increase in living standard as a consequence of Project activities;
- Percentage of household in which an improvement in the women condition is recorded as a consequence of Project activities;
- Diversity of dietary habits in the household;
- Frequency of high quality food consumption;
- Percentage of children engaged in agricultural activities
- Percentage of children willing to continue education

**BUDGET**

**22. Please provide financing information and a detailed estimate of the budget for project activities:**

**CO-FINANCING**

<b>CO-FINANCING</b>	<b>AMOUNT (IN USD)</b>
A. <u>APPLICANT CONTRIBUTION</u> 1). Cash 2). Non-Cash	68 000 22 000 (Bank Credit)
B. <u>West Balkan DM CONTRIBUTION</u>	35 000
C. <u>OTHER SOURCES (if any)</u> D. E.	0
<b>TOTAL FINANCING (A+B+C)</b>	<b>125 000</b>

**PROJECT COST**

Activity	A	B	A*B	Total \$
	Unit cost \$	Number of units	Total cost \$ (A*B)	
Personnel	<b>3600</b>	<b>7</b>	<b>25 200</b>	<b>25 200</b>
Materials and Equipment	300 usd/t	<b>200 ton</b>	35 000 60 000	<b>95 000</b>
Training (if any)	<b>250</b>	<b>2</b>	<b>500</b>	<b>500</b>
Travel (if any)				
Other				<b>4300</b>
Evaluation				
<b>TOTAL</b>				<b>125 000</b>
DM Funding				<b>35 000</b>
Applicant Funding				<b>90 000</b>
Other Sources				

**23. How will your project continue beyond the phase funded by the West Balkan Development Marketplace? Provide an estimate of when you expect to cover your operational costs through revenues. (Suggested limit: 150 words, beside the table):**

**PROJECTED INCOME STATEMENT**

	YEAR ONE	YEAR TWO
<b>REVENUES</b>		
Sale of Goods and Services	\$ -	\$ -
120 t dry chestnuts	\$ 72 000	\$ 60 000
80 t chestnuts flour	\$ 60 000	\$ 55 000 -
Chestnuts Compote	\$	\$ 15 000 -
Chestnuts Chocolate		10 000
<b>Totals</b>	<b>\$ 132 000</b>	<b>\$ 140 000 -</b>
<b>EXPENSES</b>		
Personnel	\$ 25 200	\$ 25 200
Material and Equipment	\$ 95 000	\$ 70 000
Training	\$ 500	\$ 1500
Travel	\$	\$ 4 000
Other	\$ 4300	\$ 5000
Evaluation/Dissemination	\$	\$
General/Overhead	\$	\$ -
<b>Totals</b>	<b>\$ 125 000</b>	<b>\$ 105 700</b>
<b>NET GAIN (LOSS)</b>	<b>\$ 7 000</b>	<b>\$ 34 300</b>

It is foreseen that the enterprise in the first year of the production would produce only 120 t of the dry chestnuts and 80 t of chestnut flour. Because of the water evaporation during the drying process the mass of the chestnut is decreased in 40% of the initial mass. The prices of the products are respectively 2 USD/kg for the dry chestnut and 2.5 USD/kg for the chestnuts flour. The total revenue for the first year would be 132 000 USD. The operating cost has included DM grant in Material and equipment voice of the table. Considering the total operation cost 125 000 USD the net gain would be 7000 USD.

As we mentioned above in the second year of the production two more assortments are added; Chestnut compote and chestnut chocolate. In the same time the amount of chestnuts collected from farmers would be 400 t, so 200t more than amount of the first year collection. This would allow us to produce two more quality products. The amount of chestnuts used for the new products would be less than that for chestnuts flour and dry chestnuts because we need to test the market for them. In other hand the price of the first year products would be lower than that in that year because of the offer-demand phenomenon. The net gain in the second year would be 34 300 USD.

Please sign below to affirm that the information you have provided is to the best of your knowledge true and complete. If you provide any information which you know is false, or if you withhold relevant

**FINAL PROPOSAL FORM**  
**West Balkan Development Marketplace 2006**

information, this may lead to your proposal being rejected and disqualification from participating in the competition.

<b>Signature of organization contact person:</b>	<b>Date:</b>
Agim Haxhiaj	13 April 2006