



UNLOCKING JOB CREATION FOR YOUTH THROUGH CERTIFICATION: THE EXAMPLE OF GLOBALG.A.P. IN ALBANIA

In partnership with:



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TABLE OF CONTENTS

AGRIBUSINESS: AN UNPRODUCTIVE SECTOR WITH THE POTENTIAL TO OFFER BETTER EMPLOYMENT OPPORTUNITIES FOR ALBANIAN YOUTH	4
WHY CERTIFICATION?	5
WHAT IS GLOBALG.A.P.?	7
WHY GROUP CERTIFICATION IS SO IMPORTANT FOR ALBANIAN EXPORTERS	8
FROM PILOT TO SCALE: MAKING THE CASE FOR CERTIFICATION	8
RISIALBANIA'S ADAPTIVE APPROACH TO CERTIFICATION	10
EARLY SIGNS OF IMPACT AND WIDER BEHAVIOURAL CHANGE	10
KEY RECCOMENDATIONS FOR CERTIFICATION IN THE FUTURE	12

This case study presents evidence that certification schemes can have a profound positive impact on higher value export growth, business performance and job creation for young people in rural areas. It outlines RisiAlbania’s experience introducing group GlobalG.A.P certification to the Albanian marketplace. RisiAlbania is an innovative youth employment project, supported by the Swiss Agency for Development and Cooperation, SDC, in partnership with the Ministry of Finance and Economy and implemented by Helvetas Swiss Intercooperation and Partners Albania for Change and Development.

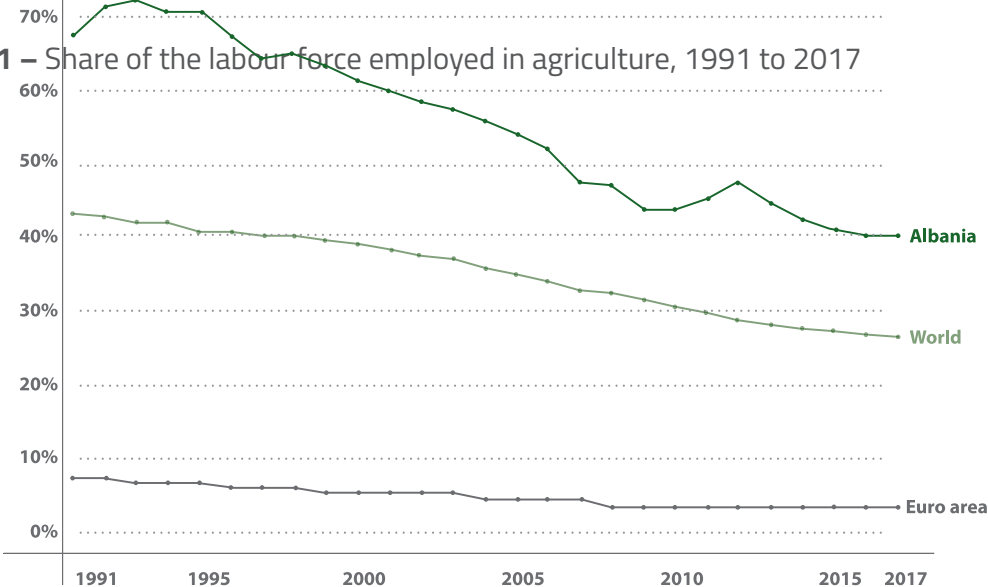
From a development practitioner perspective, this document unpacks some of the underlying constraints and provides details of Risi Albania’s adaptive approach to stimulating change across interconnected market systems. It then concludes with recommendations for replication, and potential next steps that relevant stakeholders could take forward to scale up initial successes of RisiAlbania.

The case is the result of a combination of desk research and interviews with exporters, BDS providers, certification bodies and GlobalG.A.P. representatives.

AGRIBUSINESS: UNEXPLOITED POTENTIAL TO OFFER BETTER EMPLOYMENT OPPORTUNITIES FOR ALBANIAN YOUTH

Albania has a total land area of 28,750 square kilometers, of which 24% is agricultural. The agriculture sector has traditionally dominated the Albanian economy and even though its contribution to GDP is declining, it still represents 18.4% of GDP. At the same time, the sector is the most unproductive in the Balkans region with the lowest value add per worker, averaging at \$ 5,754 / worker¹. Despite being unproductive in comparison to neighbouring countries, agribusiness is an extremely important source of employment in Albania and is well above both the global and Euro zone average. In 2017, according to the World Bank, agriculture employed 40% of the labour force in Albania, versus a global average of 26% and only 3% for the Euro Zone. The diagram below demonstrates these figures and the overall trend of labour force employed in agriculture since 1991 until 2017².

Figure 1 – Share of the labour force employed in agriculture, 1991 to 2017



¹ Risi Albania Agribusiness Sector Update - FAO 2017 data.
² Our World in Data <https://ourworldindata.org/employment-in-agriculture>

Agribusiness in Albania is experiencing some positive changes however. In recent years, exports have risen reaching approximately \$300 million in 2018, an increase of 6.5% from 2017³. This in turn is beginning to present exciting and more formalised opportunities for youth employment in the sector, not just in agricultural cultivation, but also other functions within the market system, such as management, marketing, supply chain, Business Development Services (BDS), certification, logistics, technology and innovation⁴. Further developing and scaling these employment opportunities for youth in Albania is core to RisiAlbania’s vision of creating a profitable, modernised, formalised and attractive sector for young people to work.

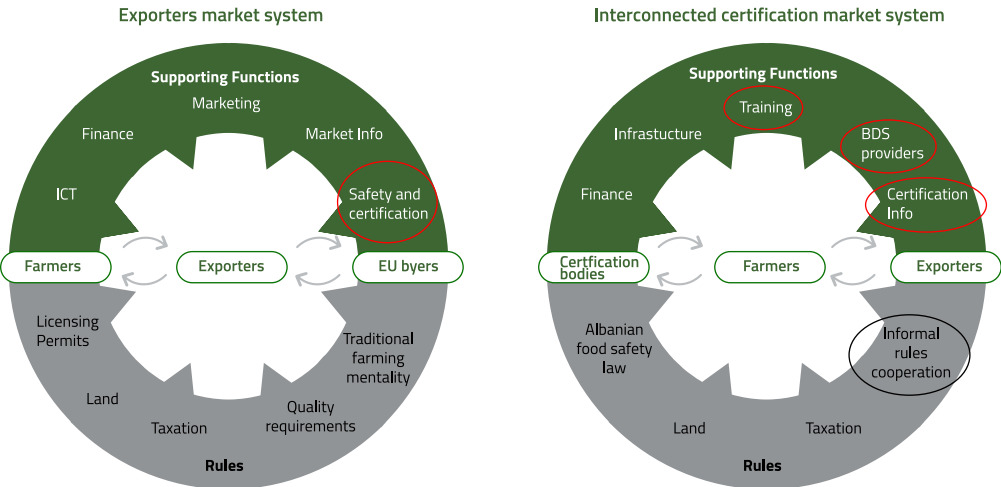
WHY CERTIFICATION?

Risi Albania has developed a portfolio of agribusiness interventions based on detailed analysis and lessons learnt in a series of interconnected market systems, including the systems for youth employment, agribusiness export sales and certification itself. Certification was selected as it is a critical step for exporters to grow and diversify into higher value international markets, and therefore create jobs for the Albanian youth. In many international markets, certification schemes are a pre-requisite requirement asked for by buyers, as it helps them to meet high quality demands from consumers, whilst at the same time reduce potential risks and liability.

In addition to this, RisiAlbania identified that agricultural and food safety certification has a low level of adoption in Albania. Whilst the implementation of HACCP is mandated by law for businesses producing or preparing food in Albania, in practice this means that businesses must only follow HACCP guidelines, rather than necessarily be HACCP certified. As a result numbers of HACCP certified businesses are very low. Beyond this, for more complex certification schemes that are demanded by international buyers such as GlobalG.A.P., Organic, BRC and IFS, the number of certified businesses is even lower. RisiAlbania estimates a maximum of 10% of agricultural exporters have more complex international focused certifications.

The following diagram illustrates the key supporting functions and rules that influence the adoption and investment in Albanian certification. The areas circled in red and black are areas where RisiAlbania has focused some its recent interventions within the market system.

Figure 3 – a summary of the interconnected export and certification market systems in Albania



³ Department of Commerce United States of America, 2020 <https://www.trade.gov/export-solutions>
⁴ <https://www.risialbania.al/empowering-youth-to-engage-in-agribusiness-through-good-agricultural-practices/?lang=en>

The following headings unpack the areas highlighted in red in the diagram above the underlying constraints faced by market players. The points below also describe some of the activities that RisiAlbania has undertaken in order to catalyse change within the market.

- **Information** - exporters wishing to explore certification schemes previously had limited reference points with initial information on what, why, how to become certified. RisiAlbania supported Albinspekt, a market player, to develop an online platform for information and initial guidance on GlobalG.A.P., HACCP and Organic certification which can be accessed at www.agroquality.al
- **Training** - if exporters decide to become certified, then more often than not they need expert support to prepare themselves for certification. Therefore a critical supporting function to exporters who do not have in-house resources for becoming certified is the capacity of Business Development Services (BDS) providers who support with a range of services from mock-audits, pre-feasibility, costing, site preparation, investment guidance and introduction to independent certification bodies. However, BDS providers report that there is limited availability of qualified agronomists and certification expertise in Albania. In response to this, RisiAlbania supported the Ministry of Agriculture and Rural Development and Albinspekt to organize a training delivered by the GlobalG.A.P. academy on farm assurance attended by 17 consultants who are now either employed directly by exporters or BDS providers.
- **BDS provision viability** - BDS providers in Albania have a long track record in providing services to urban customers. However, expanding the BDS customer base to rural based exporters is still perceived as risky and unprofitable. RisiAlbania has been engaging with the BDS sector to test and demonstrate the benefits of diversification to rural clients. RisiAlbania has specifically been demonstrating the benefits that group certification can have on increasing customer base and viability for BDS providers. In addition, RisiAlbania has been working with BDS providers to demonstrate opportunities to cross sell other services, for example, IPARD grant applications, loan applications and trade intermediary services.

“This project is enabling us to be more present in the agriculture industry and has opened up many partnership opportunities with other industry associations, which might play a role in spreading the word nationwide for the export readiness service and its benefits.” BDS provider

- **Exporter viability** – until awareness or availability of group certification options, certification was only viable for larger farms with capacity to invest relatively large sums of money in certification over longer timeframes. In Albania, where most farms are extremely small (86% of farmers have less than 2ha.)⁵, this meant that there was only very limited demand for more advanced and complex certification schemes. Risi Albania has been demonstrating the benefits of group certification to exporters which has allowed them to reduce their certification

⁵INSTAT www.instat.gov.al

investment costs whilst being able to aggregate sufficient volumes to meet international demand.

- **Certification body viability** – currently there are limited certification bodies present in Albania, particularly for more complex certifications. This is due to the fact that, even though the market for certification is growing, it remains a small opportunity for international certification bodies to expand into. As such this means that exporters have to pay additional costs for international certification bodies to travel and stay in Albania to perform their services. RisiAlbania is currently analysing and exploring potential interventions that could lead to improved viability for certification bodies and their local partners which could lead to reduced certification costs for exporters.

- **Informal rules** - due to history of forced cooperation in Albania during the previous socialist regime, there is still a deep seated lack of trust and appetite to collaborate within the agricultural sector⁶ . However, collaboration is exactly what is required from a volume, quality and food safety perspective, particularly within a relatively small market that is seeking to grow on an international level. Certification schemes offer an opportunity for farmers and other market players to formalise new collaborations. Though to achieve success in Albania this collaboration must primarily be anchored on commercial motivations.

WHAT IS GLOBALG.A.P.?

GlobalG.A.P. is a globally recognised food safety and sustainability certification scheme sourcing 900 different products from over 200,000 farmers. It is seen as an industry best practice within the fresh produce market and is a requirement for sales in the EU and other international markets.

“Once you have GlobalG.A.P. it reassures the public and buyers that you have taken steps to minimise the possibility of foodborne illness and outbreaks. From the soil to the supermarket product is touched many times. GAP certification reduces the risks throughout the process and potential ‘touch points’ ” GlobalG.A.P.

There are three different types of GlobalG.A.P. certification available to exporters:

- **Individual producer level** – this is when one individual producer business is certified. It can cover multiple sites as long as there is only one legal entity certified.
- **Group certification** – multiple legal entities form a group. A joint Quality Management System (QMS) must be developed and managed. This type of certification only requires a sample of 10% of legal entities to be audited.
- **Production sites** – this is where production sites, pack houses, storage, logistics facilities are certified.

⁶ Imani Skreli Valentinov, 2020. Food safety and value chain coordination in the context of a transition economy: the role of agricultural cooperatives

RisiAlbania made the decision to develop pilot interventions related to GlobalG.A.P. due to demand from exporters, the potential to formalise the sector through contracts and the fact that GlobalG.A.P. is quicker to obtain than other certification schemes, which may require conversion periods. Nevertheless, the same principles and lessons from RisiAlbania's interventions are applicable to other certification schemes.

WHY GROUP CERTIFICATION IS SO IMPORTANT FOR ALBANIAN EXPORTERS

Group certification is a common modality for many certification schemes, including Global G.A.P, where over 60% of its farmers are now certified through group certification. Group certification allows exporters (and farmers to some extent) to share costs on establishing a QMS, implementation, audit costs and certification body related costs.

When RisiAlbania started to work on certification related activities, it became apparent that despite the potential merits of group certification it was not being utilised. Instead there were only a very small number of farmers that had individual certification which had generally been paid for by other donor programmes. RisiAlbania identified the opportunity to use group certification to stimulate a longer term and more commercially sustainable solutions. These solutions have been designed to specifically overcome two main underlying constraints.

First, **viability for exporters:** even though in Albania it is the agribusiness that invests in the majority of the group certification costs, rather than the individual farmers themselves, group certification improves affordability. It allows exporters to lower their investment costs whilst at the same time increasing capacity to aggregate certified volumes and therefore meet larger order quantities in higher value markets. Group certification also allows exporters to establish a platform for greater scale, service delivery and security of supply.

Second, **viability for BDS providers:** group certification provides a more viable business case for BDS providers that deliver critical preparation expertise to exporters wishing to become GAP certified⁷. It has also expanded their potential customer base as more exporters are able to afford and therefore demand group certification. This is particularly the case for BDS providers that are looking to expand their customer base from urban clients to include rural businesses too.

FROM PILOT TO SCALE: MAKING THE CASE FOR CERTIFICATION

Two and half years after initiating the pilot, RisiAlbania's partners are convinced by the benefits of certification. During a series of interviews with these partners conducted as part of this case study development, the following benefits associated with GlobalG.A.P. have been highlighted. Each of these benefits have contributed to a fundamental impact on export growth, business performance and job creation.

- **Access to higher value markets** – the most important benefit of GlobalG.A.P. is, very simply, market access. It provides exporters with a passport to access higher value EU markets. Without GlobalG.A.P., wholesaler and retailer buyers in EU markets will not engage with fresh

⁷Some BDS providers started delivering GAP certification preparation expertise directly to individual farms and farmers but soon realised that this was not a viable for them.

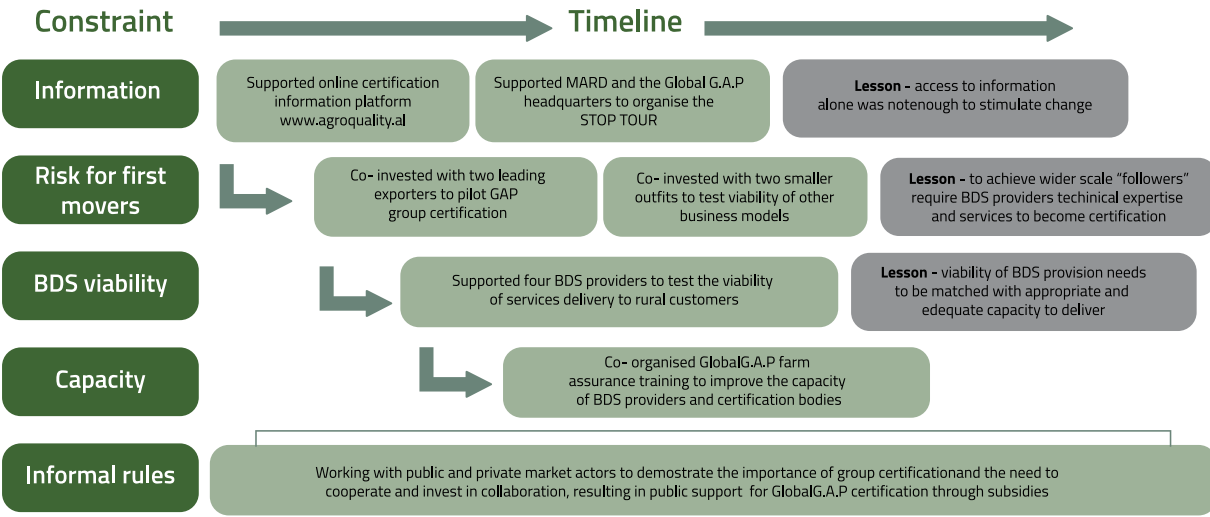
produce exporters. The certification demonstrates commitment to food safety and as such builds trust with potential buyers.

- **Additional pricing from higher value markets** – this can range from 10% to over 50% depending on the product and end market. Doni Fruits, an exporter uses the example of tomatoes that they sold to Sweden in May 2020 which were priced 54% higher than regional sales prices. As another example, provided by AZ consulting, BDS provider watermelon prices in higher value markets can be up to 300% more than in regional markets.
- **Diversified business model and customer base** – since the introduction to GlobalG.A.P., exporters have increased the number of customers and have created more direct supply chains with direct-to-retail sales. Over a 2 year period, Doni Fruits, has secured 5 new buyer relationships direct with retailers in higher value markets. Other exporters such as Roland 2012 and Hatija, who have more recently been certified have secured 1 – 2 new retail buyers. Client diversification has proven to be a key success factor in addressing COVID-19 difficulties during 2020, as exporters with diversified buyers have shown more resilience than those with exports concentrated to a few, low-value markets.
- **Stronger domestic and regional sales** – certified exporters use certification as an additional point of difference for higher value domestic and regional sales as well. For example, in some cases it has allowed exporters to build more direct-to-retail supply chains with regional buyers such as LIDL in Serbia.
- **Group farmer certification provides a platform to provide inputs and advisory services** – as an example, Lea 2011 have modified their contracts to include the provision of high quality seeds to their farmers, for specific varieties that are demanded by international buyers, which provides them greater security of supply and control over what goes in the ground and therefore the quality of what comes out of the ground. In addition, this helps to improve yields and quality for farmers as well.
- **A platform for new contract farming arrangements** – the GlobalG.A.P. standard requires contractual arrangements between the certification holder and their farmers to be in place. GlobalG.A.P. provides a standardised contract which sets out details on pricing, volumes, quality, side selling thresholds and associated penalties. The introduction of contractual arrangements has provided clarity and is a step change towards building greater confidence and sustained investment in the market.

“For the first time ever, selected exporters introduced contracts in their operating model with farmers. Now, the collection points will have access to sustainable and higher quality supply of products. On the other hand, farmers have secured markets and better margins. This will allow them to be totally focused on the product quality, and on this regard buyer support will be higher”. BDS provider

RISIALBANIA'S ADAPTIVE APPROACH TO CERTIFICATION

The following diagram illustrates the journey that RisiAlbania has undertaken to achieve change within the certification market. Throughout the journey, RisiAlbania has been mindful of key lessons and challenges that have arisen. Subsequently the programme has adapted and enhanced its portfolio of interventions to maximise impact.



EARLY SIGNS OF IMPACT AND WIDER BEHAVIOURAL CHANGE

In 2018 when RisiAlbania started working to stimulate change in the certification market system, only 40 hectares of land was GlobalG.A.P. certified, by 2020 this figure had increased to 500 hectares. Some of this is a direct result of RisiAlbania’s interventions, whereas some is a result of wider behavioural change and uptake. The infographic below illustrates Risi’s results for this pilot as well as an indication of wider ‘copy cat’ exporters who have seen the successes of certification and invested themselves in it.



As an example, by the second year of certification, Doni Fruits, one of RisiAlbania’s partners, has contracted 66 farmers, developed 5 new retailer relationships and 20 new importer relationships in EU markets since they became GlobalG.A.P. certified in 2018. This export growth has led to Doni Fruits creating 13 full time jobs for field workers, 253 part time field worker jobs, 30 full time operational jobs at their facility and 1 job in transport.

"I never thought I would be able to have a good job in agriculture, but working at the warehouse is interesting and I can see myself grow within this company: it is my dream to become a manager. I can stay in my region." 25 y.o. woman working at exporter packing line

By the end of 2022, RisiAlbania estimates around 5 additional exporters and 500 farmers will join the GlobalG.A.P certification.

So is it worth it for exporters? Example Return on Investment for GlobalG.A.P.

The following example provides an indicative return on investment for exporters considering investing in GlobalG.A.P. group certification. Excluding any large scale infrastructure investments that may be recommended by BDS providers during pre-adult and due diligence visits.

During year 1, depending on a range of variables, the certification costs can equate to between €4,000 to €9,000 for group certification. Exporters predominantly invest in the vast majority of certification costs on behalf of their farmers, though up to approximately 10% of basic costs are sometimes passed on to farmers for items such as signage, uniforms etc. This means that group certification only really works when the exporter is really bought into the new business model and approach.

Example simplified certification ROI


Products	Costs and investments	YEAR 1 (€)	YEAR 2 (€)	YEAR 3 (€)
ALL	Certification cost paid CB	4,500	4,500	4,500
	Building up a warehouse for storage of PPP and fertilizers	2,500		
	MRL analysis	600	600	600
	Water and soil analysis	120	120	120
	Purchase of PPP protective clothes, PPP storage boxes, spraying pumps, measuring tools, etc.	800	800	
ALL	Set up and improvement of toilets	600		
	Cost of additional human resources	6,000	8,000	10,000
	Cost of BDS and technical support	5,000	7,000	9,000
	Additional marketing costs	15,000	10,000	10,000
	Sub-total	€ 35,120	€ 31,020	€ 15,220
Benefits (additional pricing from higher value markets)				
Tomatoes	Volumes (kg)	582,000	611,100	641,655
	Additional pricing margin	0,10	0,10	0,10
	Total additional revenue after certification	€ 58,200	€ 61,110	€ 64,166
Cucumbers	Volumes (kg)	235,000	246,750	259,088
	Additional pricing margin	0,08	0,08	0,08
	Total additional revenue after certification	€ 18,800	€ 19,740	€ 20,727
	Volumes (kg)	152,000	159,600	167,580
	Additional pricing margin	0,07	0,07	0,07
	Total additional revenue after certification	€ 10,640	€ 11,172	€ 11,731
	Sub-total	€ 87,740	€ 92,022	€ 96,623
	Potential net additional earnings before tax and interest	€ 52,520	€ 61,002	€ 81,403


**This does not factor in other benefits beyond additional pricing. For example, over time as new buyer relationships are secured then volumes will also increase.


Key recommendations for certification in the future


The following recommendations for exporters, donors and government have been developed in careful consideration with lessons learnt throughout the RisiAlbania pilot as well as from research and interviews undertaken during this case study.

Exporters


 **Carry out demand and market due diligence** – certification schemes may not apply to all exporters and the products that they produce. As a first step, exporters and their partners should work to understand the demand, seasons, consumer segmentation, pricing, packaging and other key aspects to the market, before any investments in certification are made.


 **Seek expert advice for certification preparation** – as a result of RisiAlbania's interventions, there are now sufficient BDS providers in Albania that can support with preparation activities for certification. Most of these BDS providers have a very good success rate for their clients and this is because they have specialised expertise in QMS development, site preparations, pesticide control and other areas. They are likely to save time and cost for exporters exploring certification. Exporters should factor in the cost of relevant expertise when exploring certification costs and investments.

 **Adopt a medium to long term vision** – improvements to business performance derived from certification schemes take time. Some exporters/farmers in Albania have not renewed certification after their first year, citing that they couldn't find international buyers. Exporters and donor programmes must take at least a 3 year view to their business planning and expect that it will take time to identify and develop new relationships with international buyers.


 **Access through certification is just the beginning** – certification offers a critical passport that allows access to higher value markets. Access however is just the beginning. To maximise sales, growth and job creation, exporters need to continually (re)invest in export management, business development, branding, marketing and innovation. Exporters need to allocate realistic budgets for these types of 'beyond certification' costs when entering new higher value markets.


Donors and government


 **Increase supply and capacity of professional agronomists in the labour market** – whilst there is a sufficient number of BDS providers in Albania to support with advice and preparation for certification, there is currently a shortage of professional agronomists in the labour market in Albania. Professional agronomists are not only required by BDS providers, but they are also a requirement of certifications such as GlobalG.A.P. to be an in-house resource that controls the QMS.

 **Explore the viability of certification capacity within Albania** – some standards can be certified by organisations within Albania, however for some of the more international facing certifications, there is little capacity in Albania. For example, for GlobalG.A.P., there are no

certification bodies in Albania meaning that costs are higher for due to exporters having to pay additional travel and subsistence costs for international organisations to visit Albania. Donor programmes could explore the viability of increasing capacity within Albania in an attempt to reduce costs for exporters.

 **Provide 'beyond certification' technical support** – once exporters have achieved pre-requisite certifications for international markets, they may well need technical support to maximise their opportunities. There could be a case to either work directly with a small portfolio of exporters or to work more indirectly to build capacity and viability of BDS providers to provide post-certification growth services.

 **Take a systemic and adaptive approach** – RisiAlbania's pilot highlights the importance of approaching the market as a system, working to solve multiple underlying constraints that restrict the uptake of certification, both within the supporting functions and rules segments of the system. This approach also demonstrates that although catalysing commercially viable solutions may take longer, they stand the best chance of being sustainable solutions. Donors and governments must also remain flexible and able to adapt to new challenges.

 **Continued investment promotion** – this is required in areas such as infrastructure and machinery in order to improve productivity, quality and ultimately price competitiveness for international markets. In addition to this, activities that promote the image and reputation of Albania, such as support with trade fairs and national branding are likely to be very important to sustain and grow exports to higher value markets.

