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International Fertilizer Development Center



An evening scene at the Port of Vlora.

Acknowledgments

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A view from
the castle at
Gjirokastra.

Scene near
Lake Ohrit
near
Pogradec.



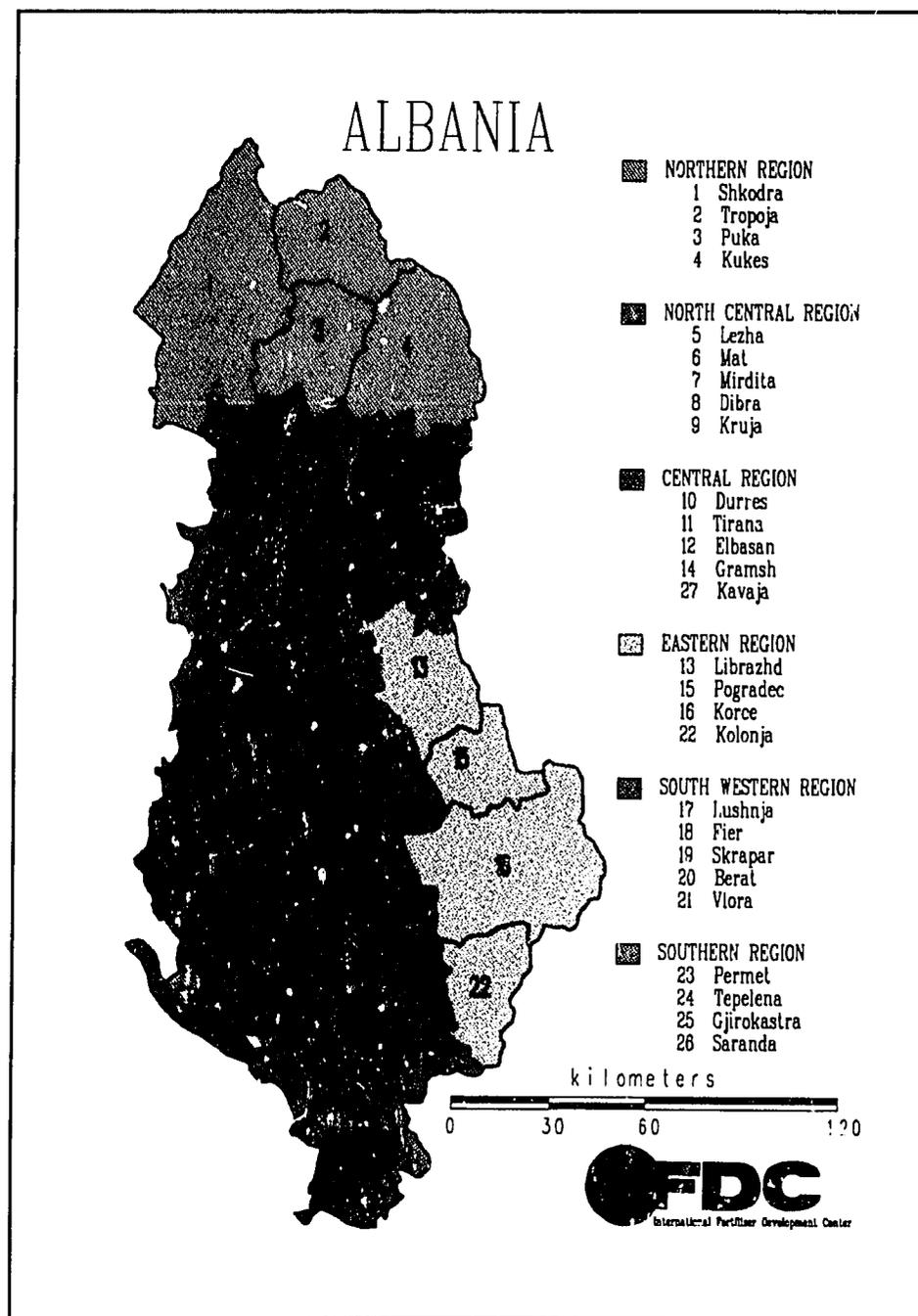
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Summary

The Government of Albania is in the process of transforming its domestic fertilizer production and distribution system from a command system to an open market-based system that is fully integrated into the global market. The Government of the United States, through the Agency for International Development (USAID), has been working closely with the Albanian Government and other donors to facilitate this transition. Recognizing the difficulties that faced Albania with regard to fertilizer availability for the late planted 1991/92 winter wheat crop and the following spring crops, USAID provided 20,000 mt of fertilizer and 30 trucks to meet emergency needs. Increasing domestic food production in Albania in 1992, through the provision of emergency fertilizer, was an efficient means to maximize the benefits of aid, to provide a more sustainable solution to the food supply crisis, and to assist Albania in making a transition from a centralized agricultural system to a free market system. The latter is a key aspect of institutional change. By providing fertilizer to Albanian farmers on an emergency basis, an essential and critical objective of helping to improve domestic food production was realized.

The emergency program was implemented by the International Fertilizer Development Center (IFDC). IFDC was responsible for the procurement of trucks and fertilizers in the United States, the transportation of the commodities to Albania, and finally the commercial distribution of the fertilizer upon arrival in Albania. IFDC has been working closely with relevant Albanian ministries, the two new agricultural input parastatals, and the newly emerging private agricultural input dealer system. To ensure that the imported emergency fertilizers were distributed efficiently throughout Albania, the fertilizer shipments were divided into small lots of 50 mt each and sold at public auctions. The Government of Albania, in coordination



The twenty-seven provinces of Albania's six regions.

with IFDC, established appropriate and fair bidding rules and procedures. The auctions were open to all prospective buyers who had been duly screened and accepted by IFDC. IFDC conducted the auctions and transferred title to the fertilizer to the buyer upon payment. The

payments were deposited by the participating banks into a separate account established by the Government of Albania. Albania, where practicable, assisted IFDC in reporting the auction results on a regular basis on radio and television. Such reporting included to the

The IFDC/USAID Role in Albania

Selected Statistics on Albania's Resources and Crop Production

Land Area (million ha)

Total in 1989	2.7
Land in permanent crops	.1
Under cultivation	.6

Population (million)

Total in 1991	3.3
Farm	1.7
Projected size in 2025	4.8

Crop Production in 1990 (kg/capita)

Wheat	186
Vegetables and melons	153
Maize	91

Sources: Population Reference Bureau, Washington, D.C., U.S.A., 1991, and the Food and Agriculture Organization of the United Nations, *Production Yearbook, 1990*.

extent possible the names of the buyers and the locations that the fertilizer was available for future retail purchases. IFDC also operated the trucks during the emergency period to transport the fertilizer from the point of auction sale to the buyer location at competitive freight rates. All freight revenues paid by the buyers were deposited into a designated account by IFDC. No price ceilings or fixed prices were imposed at the auctions of the fertilizer made available by USAID. The buyers of the fertilizer at the auction were free to set retail prices to reflect their costs and the local demand conditions.

This project has established the idea that the free market system will work in Albania. The impact of the overall project is that it will assist in increasing food output and restoring the agricultural sector to its previous level. Albania presently depends on major food aid imports of wheat, cooking oil, sugar, etc.; however, the agricultural sector is capable of feeding the country's people and also has export potential.

To assist Albania in meeting some of its challenges, USAID initiated a primary program designed to develop viable agricultural production. Part of that effort was the "Emergency Program of Fertilizer Imports and Open Market Auction," under the direction of IFDC. Given top priority under this program was the need to increase agricultural production in Albania through the development of a free market economy.

IFDC's involvement in Albania began with USAID's request to provide one consultant to assist an Agriculture Input Design Team. The team visited Albania from 30 September to 17 October 1991, and identified the lack of fertilizer production and the lack of transport, storage, and distribution facilities as critical limitations to agricultural production. Thus, reestablishment of a fertilizer supply system was recommended as the top priority of an Agricultural Support Program for Albania.

Subsequently, USAID provided grant funding to IFDC for specialist teams to visit Albania in December 1991 and January 1992. Fertilizer production specialists identified problems at the factories, recommended solutions, and estimated costs. Marketing specialists identified policy adjustments needed to

introduce free competitive marketing of fertilizer in Albania and recognized the potential for the development of private marketing of fertilizer, especially through the use of open-market auctions. A credit/finance specialist identified the potential to develop a system for banks to provide commercial credit for fertilizer marketing.

Albania's relatively high population growth of over 2 percent per year and its large proportion of GNP in agriculture—33% in 1990—cast it as a less-developed country rather than a developed, centrally planned economy

Crop and Food Production Indices for Albania, 1985-90

Type of Production (1979-81 = 100)

Year	Total Crop Production	Crop Production Per Capita	Total Food Production	Food Production Per Capita
1985	108.01	97.38	107.76	97.17
1986	109.41	96.72	109.19	96.54
1987	115.52	100.14	113.82	98.68
1988	107.61	91.47	108.72	92.42
1989	115.10	96.39	114.12	95.59
1990	113.25	93.19	112.56	92.64

Source: The Food and Agriculture Organization of the United Nations, *Production Yearbook, 1990*.

Emergency Fertilizer Supply--Phase One

This (IFDC) project has established the idea that the free market system will work in Albania. The impact of the overall project is that it will assist in increasing food output and restoring the agricultural sector to its previous level.

Based upon IFDC's findings, USAID began preparing a grant to IFDC to import fertilizer and trucks into Albania and to provide technical assistance for the sale and distribution of the fertilizer in Albania. IFDC utilized unspent funds from an earlier grant to begin preparations during February and March 1992 for the Emergency Phase, which was funded on 23 March 1992.

- The sum of US \$6,700,000 to import 20,000 mt of urea fertilizer.
- The sum of US \$2,250,000 to import 30 trucks to remove the in-country constraints to transportation of the imported fertilizer.

The funding was provided in three grants:

- The sum of US \$900,000 as a technical assistance grant to assist the Government of Albania to implement an emergency program of fertilizer imports and open-market sales by auction.

Albanian GDP in 1990 was estimated at \$3.8 billion. This translates into about \$1,200 per capita, making it one of the poorest countries in Europe.



Delivery of USAID fertilizer in a 25-year-old Russian truck.

Objectives

The objectives of the IFDC Albania Project were to:

Supply about 20,000 mt of urea to farmers in Albania on an emergency basis for topdressing of wheat and for spring and summer crops.

Begin the development of a free competitive fertilizer marketing system utilizing private resources.

Initiate the development of a commercial credit system for fertilizer marketing.

Begin the development of a management information system for Albanian agriculture.

Commercially operate a truck fleet for fertilizer distribution to supplement the state and privately owned transport.

Activities

Marketing Development

IFDC's first efforts in Albania concentrated on identifying potential entrepreneurs who might have the capability of marketing fertilizer. This was difficult because there had been very little private enterprise prior to 1991. Importing and selling of cigarettes, alcoholic beverages, soft drinks, and candies had begun by early 1992. Although those types of commercial activities were increasing, many Albanians considered them undesirable. The idea of making a profit from trading was not conceived by many Albanians although they, in effect, supported such activity; they encouraged the practice by buying the products. In the agricultural sector some ex-collective agronomists and economists were beginning to buy agricultural inputs from the Agro-Commercial Enterprises (state) and sell to the new private farmers.

IFDC staff utilized a cooperative media, primarily television, to reach prospective fertilizer dealers. That, along with a somewhat progressive management within the Bank of Agriculture and Development, contributed greatly to the marketing of 20,000 mt of urea.

In January 1992 IFDC staff were interviewed on Albanian National Television. Later, 31 individuals re-

sponded to the invitation to explore the possibility of becoming fertilizer dealers. This gave the team some insights as to concerns, expectations, and the financial situation of prospective dealers. Expectations were generally high, but they were concerned about financial risks (particularly about mortgaging recently obtained assets to obtain credit), adequacy of transport, selling a donor-furnished commodity (politicians were promising free fertilizer), possible future government intervention that would undermine privatization, and farmers' reaction to the expected price, which would be higher than the government-established retail ceiling price. Slightly over 50% of the prospective dealers who were interviewed purchased urea at auction during April and May 1992.

Media involvement included three major nationally broadcast television programs and several television news items, including a meeting with the Director General of the State Bank, training sessions with dealers, and auctions in process. Additionally, there were radio interviews and announcements by television, radio, newspapers, and the major economic magazine.

Estimated Arable Land and Nutrient Consumption in Albania, 1985-90

Year	Arable Land ('000 ha)	Nutrient Consumption		
		N	P ₂ O ₅ (kg/ha)	K ₂ O
1985/86	713	105	25	1.5
1986/87	713	105	25	4.6
1987/88	713	93	37	3.1
1988/89	714	97	35	3.1
1989/90	706	113	34	3.3

Note: Calculated from data in the Food and Agriculture Organization of the United Nations, *Fertilizer Yearbook, 1990*.

Orientation (training) programs of 3 days' duration were held twice before the first auction. Presentations were given on free market philosophy (that the market and auction participants, not government, would establish prices and allocate fertilizer among geographic areas), auction terms and procedures, procedures for obtaining credit and finance, arrangements needed to obtain transport, the type of information that they would be asked to supply, and why IFDC would be requesting such information during a monitoring survey. After the auctions IFDC personnel frequently visited the dealers, discussed problems, and assisted them in finding solutions.

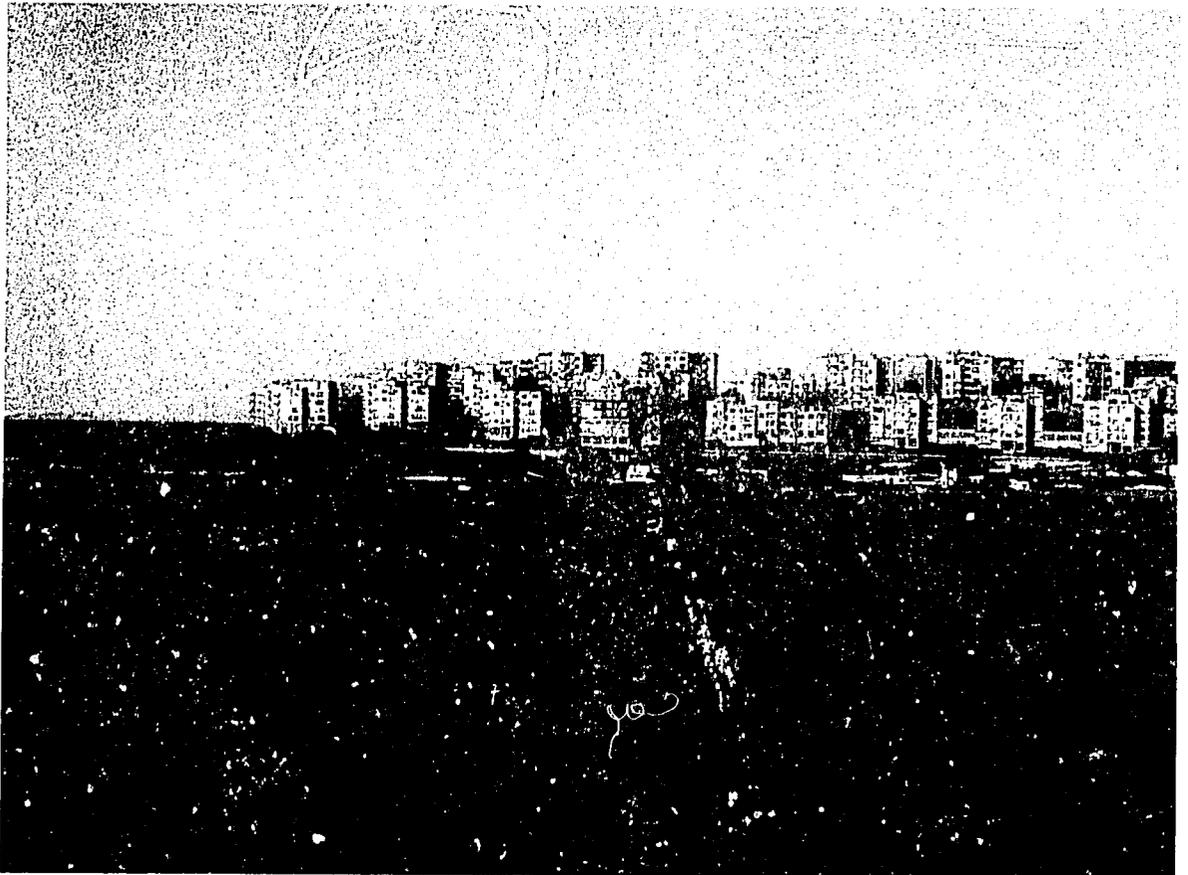
Albania has an unusual source of assistance that it has only begun to exploit. Because of mass migration from this land, over 1,000,000 persons of Albanian descent now live in the United States. If a significant number of them can be persuaded to invest in their old homeland or return with their foreign skills, they could make a significant difference in how quickly Albania develops.

Credit/Finance

Development of a viable credit program and making funds accessible for private-sector businesses from Albanian banking sources were extremely difficult. The three banks—Bank of Agriculture and Development, Albanian Commercial Bank, and Savings Bank of Albania—were partially freed to perform independent banking functions and to finance private-sector businesses. However, the banks remain highly regulated and largely patronized parastatal enterprises in lending credit against guarantees given by the District Executive Committees on behalf of the Government.

The banks' capitalization is low, and there is little perception of fund mobilization and operating at a profit. Cash transactions are operated through windows of the State Bank. In general,

The port of Saranda with background of workers' flats.



the existing bookkeeping system does not conform to elementary standards of banking practices. Instruments such as checks, demand drafts, pay orders, inland letters of credit, sight drafts, and bills of exchange are not in use, nor generally conceivable by bank officers. Additionally, people have little confidence in the bank because of bad experiences of long delays in making withdrawals from deposit accounts and in making transfers to other accounts and of the frequent accounting errors made by the banks. No laws for transfer of title of properties and foreclosure exist to guarantee recoveries of credit.

The IFDC project in Albania has helped to develop knowledge, skills, and experience among bankers in managing a commercial credit program for fertilizer dealers.

Even under this situation a successful 90-day commercial credit program was initiated for dealers to purchase and market fertilizer. Initially, all three banks were reluctant to participate in the program. Finally, the Bank of Agriculture and Development agreed to make available 40 million lek and worked with IFDC to develop practical procedures for providing credit to dealers and for ensuring that auction sales' proceeds were deposited to the Counterpart Fund.

For the first shipment of urea, the maximum credit was 100,000 lek for private dealers and 200,000 lek for Agro-Commercial Enterprises and state farms. The credit ceiling was 100,000 lek for all buyers for the second shipment. Additionally, all buyers had to have a minimum of 20% of the purchase cost in a blocked cash deposit account.

Credit approvals were based upon the following conditions:

- The borrower making application to the branch bank for credit and mentioning the desire to participate in the fertilizer auctions.
- The borrower opening or maintaining a current account with the concerned branch bank.
- The borrower maintaining a minimum cash balance of about 20% of the anticipated auction bid value in his account.
- Credit would be approved depending upon the credit worthiness of the borrower.
- For pledging of stock in warehouses, insurance would be required.

The following items were to be considered in determining credit worthiness of the borrower:

- Mortgage of land that was not yet titled, buildings, and moveable property although no law/rule exists to permit foreclosure in the event of default to repay the bank.
- Personal guarantors of partners, friends, and relatives.
- Recommendation of a person of high integrity.
- Pledging of fertilizer, inventories of other businesses, crops, livestock, etc.

The Bank of Agriculture and Development disbursed 15.59 million lek in credit (bank guarantees) to buyers of fertilizer at auctions or 33% of the sales value. The private sector received 10.53 million lek (65.0%) of the credit with 92% of the winning private-sector bids being partially covered by credit. About 71% of the winning bids by state farms and 53% of the winning bids by Agro-Commercial Enterprises were partially covered by credit.

Credit recovery by banks was surprisingly good and encouraging. One hundred percent credit disbursed for the auctions was recovered within 90 days. IFDC's efforts for recovery of the credit may set a good example of credit recovery and administration in Albania.

The Auctions

Procedures for auction by sealed-envelope bidding were developed to ensure competition, attempt to minimize the formation of monopolies, and ensure collection of payment. The purchase quantities were multiples of 50 mt (one lot), and to minimize the formation of monopolies, buyers were limited to 500-mt purchases from the first shipment and 400 mt from the second shipment. No minimum buying price was set. Bidders were required to submit a statement from a bank giving their cash deposit and the amount of credit that a bank would guarantee for the purchase of fertilizer. If a dealer's line of credit plus his cash deposit was not sufficient to cover his bid, he had the opportunity to deposit additional cash in order to qualify for delivery of the urea.

Selected quantities of urea were offered at auction during several days for delivery of the urea from three locations: Durres and Vlora for both shipments; Saranda for the first; and Pogradec for the second shipment. Bids were awarded daily to the highest bidders until the allocated number of lots for that day was awarded. The winning bid(s) was chosen by lottery when more than one individual bid the same price for the last lot(s) offered for that day.

Before IFDC issued authorization for a dealer to take delivery of fertilizer from the first auction, the Credit Department at the bank's national office was required to issue confirmation to IFDC that the dealer had deposited the correct amount

of money into a special account. Long delays in receiving bank confirmation were rectified for the second auction by IFDC's issuing a letter, which was delivered by the dealer and confirmed the dealer's winning bid directly to branches of the bank. The concerned branch bank subsequently issued confirmation to IFDC of deposit of bid amounts into the Counterpart Fund Account. This system was convenient and authorizations for delivery of fertilizer could be issued quickly.

The IFDC project pioneered a new and technique for effectively catalyzing entrepreneurial activities and developing fertilizer marketing.

Bids were awarded for the 20,000 mt of urea during 13 days of auction. A total of 706 bids were received, and 242 bids were awarded to 150 different enterprises. Only one 50-mt lot was purchased by 43% of the buyers who purchased 17% of the urea while 20% of the buyers purchased more than three lots and bought 50% of the urea.

The private sector purchased 61% of the urea, and their portion increased from 50% from the first shipment to 73% from the second shipment. Of the 150 buyers, 115 were private, 25 were Agro-Commercial Enterprises, and 10 were state farms.

Private-sector buyers came from 15 of 27 districts, Agro-Commercial Enterprises represented 22 districts, and state farms were located in three districts. In total, buyers came from 26 of the 27 districts. However, there were 12 or more buyers from five districts, and they bought 53.6% of the urea. Buyers from three additional districts bought 22.9% of the urea. Thus, eight districts (all having large portions of lowland) purchased 76% of the urea.

A port discussion at Durres. From left are Dr. John Becker, USAID Agricultural Development Officer; Jim Kelly, IFDC Consultant; Dr. Amit H. Roy, IFDC President and CEO; and Neil Hilton, a shipowner's representative.



Receiving and Dispatching

IFDC purchased 20,000 mt of urea in the United States and imported it in two shipments, which arrived on 28 April and 21 May 1992. Ten trucks arrived on the first ship and 20 on the second ship.

About 5,600 mt from the first shipment was loaded directly into dealer conveyances during 16 days of ship offloading and 5,100 mt from the second shipment during 18 days of ship offloading. The remainder of the urea received at Durres was stored at the port until it was dispatched to dealers. The final dispatch was

made on 22 July 1992 from the warehouse at Port Durres.

IFDC made the first large-scale import of a commodity, which was not distributed under the control of the central command economy. A Port Plenipotentiary, reporting to the Council of Ministers, planned and implemented the receipt and distribution of other donor aid commodities. Most food aid was distributed to the districts by a contingent of Italian Army personnel, which operated a fleet of about 100 trucks.

We obtained agreement for urea buyers to arrange for transport of their fertilizer and receive delivery at the ports. At the last moment, we agreed to contract with the port to supply personnel for tallying and documenting receipt and dispatch of urea. However, we contracted Albcontrol, a local agent of the independent surveyor, to provide additional tallying and documentation for the dispatch.

All procedures and forms used to control and document the delivery of urea from bagging machines at shipside and from storage areas were developed and prepared in Albania under very strict time constraints.

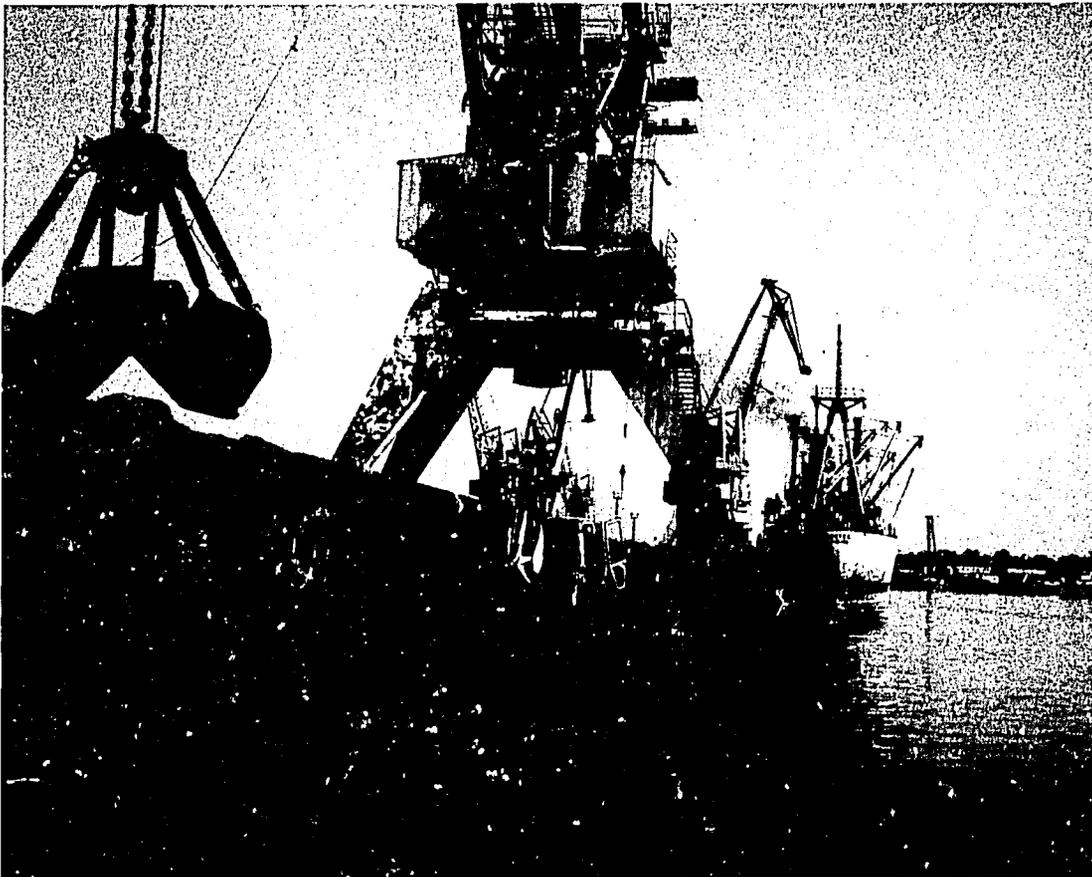
IFDC inventory discrepancy amounted to 480 tons or 2.4%. This arose principally from port control problems on the first shipment. Corrective procedures eliminated these losses on the second shipment.

Truck Fleet

Thirty 8- to 10-mt Navistar International trucks were imported along with the fertilizer. Yowell International, a private trucking firm in the United States, was contracted to supply a truck-operating consultant to oversee the operations in Albania.

The purpose of the trucks was to supplement the available transport from publicly and privately operated aging trucks. Attempts were made to price our transport rates so as not to unduly compete with privately operated transport but to assist dealers who may have trouble in obtaining transport.

The trucks began operating on 14 May 1992 and were operated for a total of about 73,000 km. They transported about 2,800 mt of urea for dealers during one and one-half months. Revenues from the truck operation totaled 744,750 lek.



Bulk berths at Durres port.

Delivery by an IFDC/USAID truck to a dealer in Elbasan.



Dr. Amit H. Roy, IFDC President and CEO, addresses a group of dealers at Elbasan. Seated next to Dr. Roy is Dr. Ray B. Diamond, IFDC Chief of Party in Albania.



IFDC staff inspect a new USAID truck. At right is Harry Nielsen, Fleet Manager.



Monitoring Dealer Operations

The enumerators collected information from fertilizer auction buyers; from dealers to whom they sold; and from farmers regarding fertilizer sales and buying quantities, prices, and uses. Additionally, information was collected on storage facilities, farmers' transport of fertilizer, and distance from dealers.

The monitoring survey accounted for 70% of the total amount of urea sold. Private dealers reported selling 71% of the urea to farmers at an average margin

of 1.6 lek/kg above the cost at their point of receipt. Their average margin for sales to subdealers was 1.6 lek/kg while Agro-Commercial Enterprises reported an average margin of 2.5 lek/kg. Donkeys were the principal means for farmers' transport of urea. The mean distance from fertilizer dealers to farmgate was 4.8 km, and on average farmers paid 1.5 lek/kg for transport.

In normal weather, Albania is self-sufficient in food production, but in recent years drought in southern Europe has forced Albania to import food for its own population. However, much more important have been the disruption of inputs and uncertainties of land ownership during the transition.



A meeting at a family farm near Elbasan. On the right is Dr. John Becker, USAID Agricultural Development Officer.

Farmer Socioeconomic Survey

The socioeconomic survey was conducted primarily in parallel with the area sampling frame (ASF) survey and used a subsample from the ASF survey plus some additional samples from other randomly selected areas. Interviews of 542 farm families were conducted.

Principal findings were:

- The mean age of farmers is 46 years.
- The rate of literacy is greater than 95%.
- The mean schooling is 8 years.
- The mean household size is five persons.
- Sixty-nine percent of farmers identify with Muslim religion.
- The mean cultivated area is 0.7 ha.
- The mean distance to cultivated fields is 0.8 km; to markets to sell produce, 17.4 km; and to markets to purchase agri-inputs, 6.0 km.
- Only 13% of farmers reported using chemical fertilizer for the 1992 crop. Vegetables and wheat are the crops

President Sali Berisha of Albania believes that his country's salvation will be found on its farms.

- most likely to receive fertilizer. The survey was made prior to field delivery of much of the urea.
- Slightly over one-half of the farmers used animal manure as fertilizer.
- Animal inventories are rather low, but 98% of farmers reported ownership of animals. About 90% of farmers own cows (average of 1.5 per farmer). About 63% of farmers own sheep (average of 6.1 per farmer).
- The favored cash crops are potatoes, tomatoes, watermelons, and a variety of vegetables.
- Less than 1% of farmers hire labor for agricultural work.

Farm Commodity Price Survey

A price survey of farm commodities sold in bazaar markets in district cities was started in April and is continuing. Initially only crop produce prices were obtained, but the survey has been expanded to include animal products. Also the survey was expanded to fortnightly visits to 15 district cities.

The principal indications of the data are the low prices in relation to most countries, the seasonally large fluctuations in prices due to changing supply levels, and relatively small variation in prices among regions.

Area Sampling Frame

Agricultural Assessments International Corporation (AAIC) was contracted to develop an area sampling frame for Albania and conduct a survey to estimate the area seeded to wheat and wheat production in 1991/92 and estimated area seeded to other crops as of 1 June 1992. IFDC/Albania provided all of the support personnel and transport in Albania.

The country was stratified into two agricultural strata by using satellite imagery:

Stratum I—intensive agriculture, which included the coastal plains, river valleys, and the high plain near Korca.

Stratum II—nonintensive agriculture, which included the hilly and mountainous areas.

The IFDC project in Albania has started a management information system for the agricultural sector and has documented the first year of private farming.

A state farm near Gjirokastra. Maize stalks used as fodder.

Primary and then sampling segments were randomly selected and located by mapping coordinates. The sampling segments were identified in the field from physical features and verified by use of the global positioning system. Survey teams were transported to segments where they questioned farmers, made visual observations, and completed questionnaires. The data were analyzed and reported by AAIC on 9 July 1992.

The survey from the area sampling frame segments indicated that crops were growing on about 400,000 ha of land in June 1992. Wheat occupied 132,000 ha (206,000 ha in 1989), maize occupied 77,000 ha (90,000 ha in 1989), alfalfa occupied 47,000 ha (46,000 ha in 1989), and vegetables and melons about 36,000 ha. Based upon interviewed farmers' expectations, the national production of wheat was estimated at 330,000 mt.

Area of Land Cropped to Five Principal Crops in Albania During 1992, as Compared With 1989 Statistics

	1992	1989
Wheat	132,000 ha	206,000 ha
Maize	77,000 ha	90,000 ha
Alfalfa	47,000 ha	46,000 ha
Vegetables and melons	36,000 ha	—





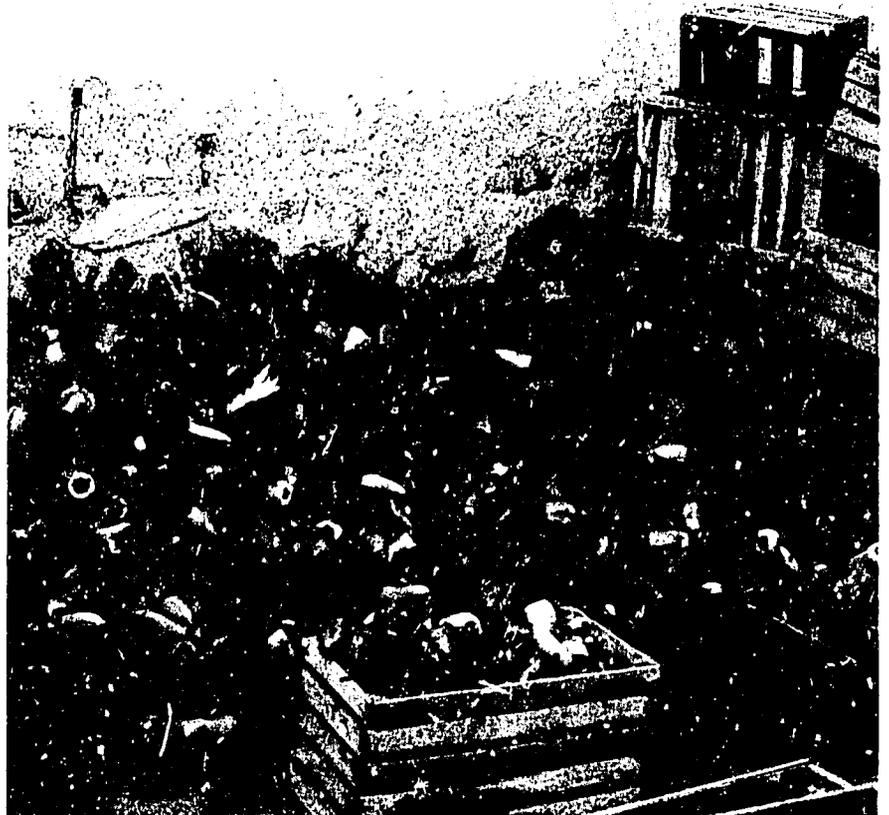
Vegetable market scene in Korca.

Albania's agricultural landscape has changed considerably since the beginning of Communist rule. In 1950, 92% of the agricultural land was owned by the private sector, with the remaining 8% owned by either the state or the cooperative sector. By 1989, none was in private hands—all agricultural land was owned by the state or cooperatives.

Staffing

Eight specialists spent about 21 months in Albania during the 120-day period from 24 March through 23 July 1992. Additionally, the area sampling frame subcontract brought two specialists to Albania for short periods, and Navistar provided three persons to assist in preparing the trucks at various times.

The project provided 8,983 workdays of employment for host-country nationals between 24 March and 31 July 1992. During May 211 employees worked 4,116 workdays, and 169 employees spent 3,590 workdays on the project during June.



Vegetable market in Korca.

Constraints

The following is a discussion of the major constraints to achieving the project objectives of supplying fertilizers to farmers and introducing a free competitive marketing system for fertilizers.

Government-Imposed Constraints

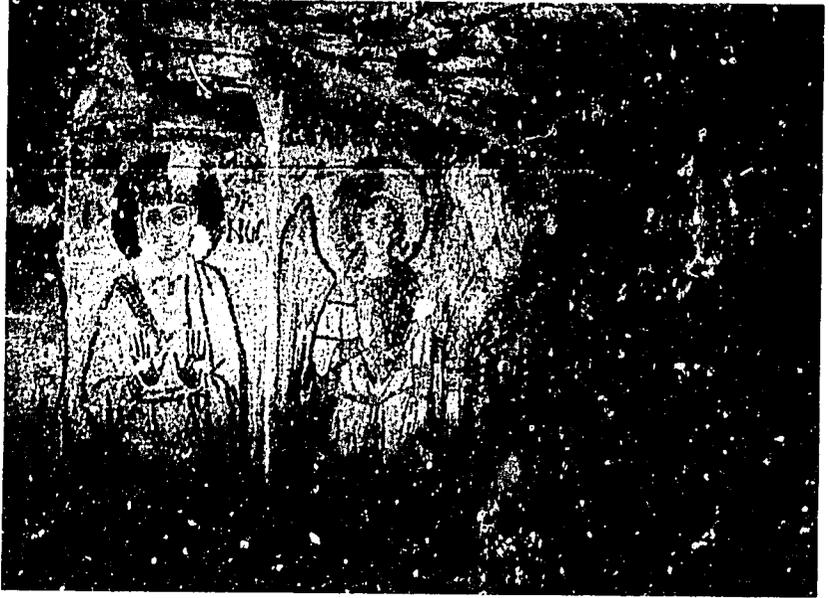
At the time that we were trying to develop interest among individuals to become fertilizer dealers, the Socialist Party was in power, and all major parties were promising free inputs including fertilizer to farmers. Additionally, we were unable to convince the Government, even after the Democratic Party took power, to change the established ceiling price of urea to private farmers. Also, after the auctions started, one committee on agriculture requested the Government to close the auctions. The lack of land titles being issued to farmers and the lack of laws for foreclosure on mortgaged property restrict lending institutions in providing adequate credit. There were some indications that the financial police were not equitably or at least not uniformly interpreting and applying the tax laws. These actions and the lack of actions created grave concerns among potential fertilizer dealers about the possibilities of successfully marketing fertilizers.

Lack of Suitable Banking and Credit Institutions

Several factors regarding banks greatly hindered our ability to interest dealers who would need credit and fund exchange with banks. These factors included: low availability of funds, lack of suitable instruments for fund transfers among individuals and among banks, the archaic accounting system, frequent errors, and the general lack of confidence of people in banks.

People's Attitudes

After almost 50 years under the rule of an autarkic, centrally planned economy, few people had any idea what a free market economy was. Most people basically appear to think that it is dishonest to make a profit from doing business, particularly from selling donor-provided commodities. Also, many people feel that the Government should provide for them, but there are strong feelings against the Government's collecting taxes and charging the full cost for providing services.



A symbol of Albania's past—mosaics under Roman amphitheater recently discovered in Durres.

The future of Albania rests with its young people.



Accomplishments

The major accomplishments of the project were:

- The project supplied farmers much-needed fertilizer at a time when there was no domestic production. Additionally, the urea was supplied to all except one district, and farmers paid no more than 50% of the full value of the fertilizer.
- The project created a national network of private fertilizer dealers who now have commercial experience where almost none existed before. Most of the dealers had previously worked with the now defunct cooperatives. Their agricultural experience and the recently gained commercial experience have provided many of them with the knowledge and skills to become marketers of agricultural inputs.
- The project helped to develop knowledge, skills, and experience among bankers in managing a commercial credit program for fertilizer dealers.
- The activities of the project reactivated dormant transport and port facilities. The use of rail transport to Vlorë brought new confidence in possibilities again to use the railway for transport. Private transport was used to a large extent to transport the fertilizer. A port wharf, which was closed for 3 years, was cleaned and put into use.
- The project focused national attention on commercialization of agricultural input supply through media controversy. The needed shift from state-run distribution to the private sector was highlighted through the media.
- The project pioneered a new aid technique for effectively catalyzing entrepreneurial capacities and developing fertilizer marketing.
- Using advanced scientific technology, the project developed an area sampling frame for Albania, which was used to provide estimates of the area cropped to specific crops, prospective crop yields, and use of fertilizer.

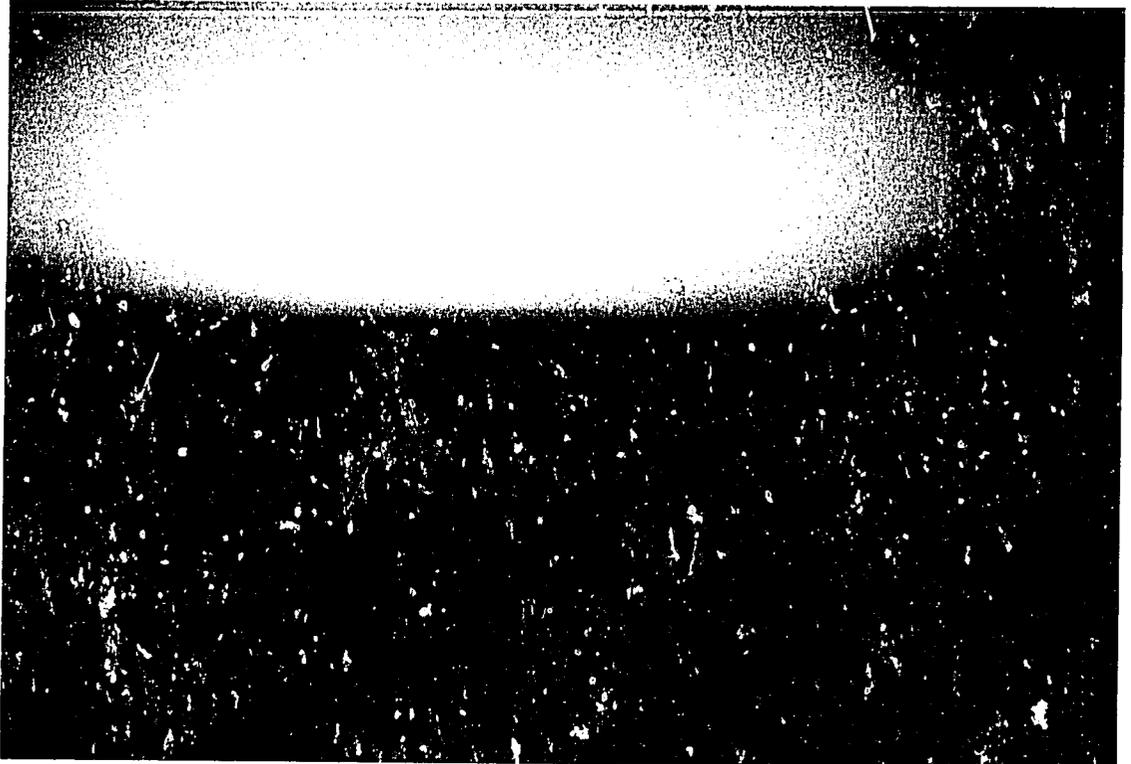
Rural scene in southern Albania.



Environmental Impact of the Project

There are presently two areas where the Albanian fertilizer sector may impact the environment: (1) the two fertilizer plants presently owned and operated by the Government of Albania and (2) the fertilizer aid auctioned by IFDC.

The two plants, one producing SSP at Lac and the other producing urea and ammonium nitrate at Fier, are described in detail in IFDC's report, *Fertilizers in Albania: Situation, Analysis, and Recommendations*. However, because analysis of environmental impact was not part of the study's terms of reference and because



Sunset at Saranda.

both plants were not functioning at the time, no work was conducted to determine potential pollution hazards. Study of the likely environmental impact of the two is necessary and should be included as part of any future project effort. In general, the former Communist managers of industrial complexes paid scant regard to environmental concerns, and these plants, as presently operated, probably do so under less than acceptable standards.

The imported urea, brought in under the USAID/IFDC project, poses little hazard to the environment. Urea as a well-bagged product is not a hazardous material. In addition, most of the urea was sold almost immediately and moved directly to farmers' fields. When the urea could not be sold, it was stored in covered warehouses, most of which were reasonably well built. There was some spillage of urea near the bagging operations in

Durres port, but most of this fertilizer was rebagged and subsequently delivered to dealers.

The major environmental concern that might arise from the Emergency Fertilizer Aid Project is possible leaching loss of nitrogen and subsequent contamination of water. This is not likely to be a problem in that the fertilizer provided by the project only constitutes 12% of the nitrogen consumed in the peak year of 1990. Even in districts receiving disproportionate amounts of fertilizer compared with that received by other districts, fertilizer deliveries amounted to much less than the previous peak consumption. At this stage, it is not possible to estimate the intensity of nitrogen application during "normal" application, but a useful future project activity would be to estimate previous levels of intensity and to determine their likely environmental impact.

One possible problem that may arise in the future is the production of ammonium nitrate by the Fier plant. This product is a hazardous material if it does not have adequate bagging. If this product is sold in bulk, certain preventative measures will be required. The project will need to provide technical information to the plant and dealers on fertilizer storage and transport.

Future Project Activities

In the long term the project should address the following issues:

- ⊙ Privatization of the wholesale and retail trade for fertilizer and that of other agricultural inputs that may be marketed through these businesses.
- ⊙ Establishment of an import capability in Albania that is sufficient to supply nutrients not met by domestic fertilizer production.
- ⊙ Commercialization of Albania's domestic fertilizer production.
- ⊙ In collaboration with the Government of Albania, development of an appropriate policy structure for fertilizer production and marketing.

Privatization of the fertilizer marketing system will require IFDC's involvement in four major activities. First, the dealer network will need to be further developed through support in small business management and product diversification. Secondly, IFDC will establish a comprehensive management information system to provide data on the socioeconomic behavior and status of the new private farmers as well as on crop production and yields and marketing as required. Thirdly, to support dealers, fertilizer demonstration plots will be established throughout Albania. Finally, dealer credit will be developed further; IFDC will work with local banks so that commercial credit for marketing operations and

Privatization of the land in ex-cooperatives now stands at 90% of land or 412,000 ha; 80% of the families have taken land.

Coastal road south of Vlora.



These Albanian women recycle USAID fertilizer bags by reusing them as tote bags.

financing for importation is adequate for dealer requirements. Albania's capacity to import fertilizer requirements will be supported by IFDC's activities in the following areas.

Development of a National Import Plan detailing importation required, by nutrient, probable sources, and financing for imports.

Facilitation of initial imports by dealers. IFDC will assist dealers in required procurement activities and help them secure finance of imports through local banks.

Determination of the feasibility for private dealers of bulk-blending operations and, if feasible, assistance provided to selected dealers who move into this business.

Commercialization of Albania's domestic fertilizer production will require IFDC's involvement in both the technical and commercial aspects of the country's fertilizer factories. Full feasibility studies will be conducted on both the Fier Nitrogen Fertilizer Factories and the single superphosphate (SSP) factory (Lac). While it is not known whether these plants will be privatized by the Government, their operations can be put on a more commercial basis or closed. IFDC can, in particular, assist the plants' organization to develop a marketing capability and connect them with the dealer network.

Finally, IFDC should conduct an analysis of existing policies that impact fertilizer production and marketing and make recommendations regarding policy reform.





The future of America belongs to the children.