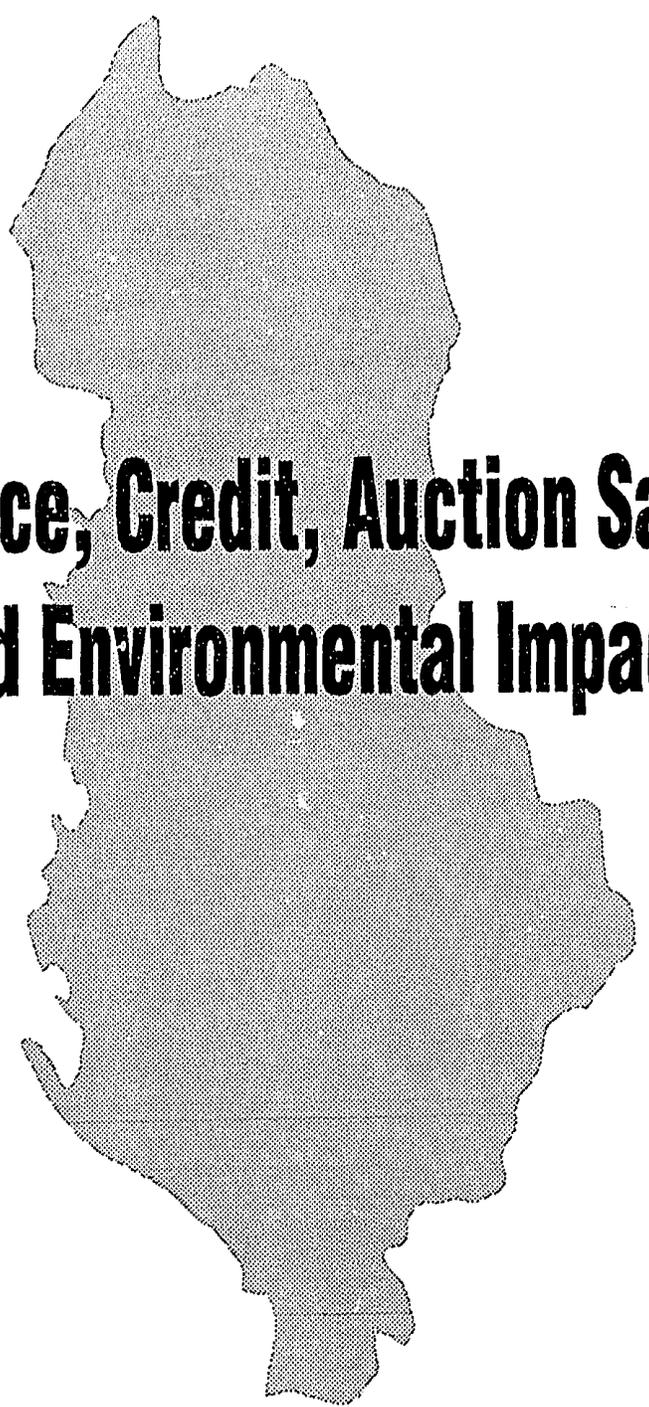


IN-ABQ-690

ISBN 86209



**Finance, Credit, Auction Sales,
and Environmental Impact**

International Fertilizer Development Center

PA-ABQ-611

**Finance, Credit, Auction Sales, and Environmental Impact
Phase One – Emergency Supply of Fertilizer to Albania
(March-July 1992)**

Funded by

United States Agency for International Development (USAID)
Grant No. 180-0024-G-00-2001-00
Grant No. 180-0046-G-00-2003-00

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December 1992

- 1 -

Finance, Credit, Auction Sales, and Environmental Impact Phase One – Emergency Supply of Fertilizer to Albania

The activities involved in implementing the first phase of the emergency program of fertilizer imports and distribution by open-market auction were conducted under the "Agreement between USAID and the Government of Albania." The separate "Agreement between IFDC and the Government of Albania" (Appendix A) was signed on October 31, 1992.

This report describes procedures developed for the auction sale of 20,000 tons of urea supplied to Albania during April and May 1992. Additionally, auction results (quantities sold and accepted and price and sales proceeds); credit arrangements, disbursements, and recovery; counterpart fund; control procedures for delivery to purchasers and stock records are discussed. Finally, an overall project environmental impact statement is included.

The distribution of buyers by category and geographically, training and orientation, and promotional activities are discussed in a companion report "Entrepreneurial Development in Albania." Additional information on distribution and sales to subdealers and farmers as well as characteristics of dealers is reported in "Monitoring of Urea After Auction Sales."

Banking in Albania

The lending banks (Albanian Commercial Bank, Albanian Savings Bank, and Bank of Agriculture and Development) were declared independent from the State Bank of Albania and from state control for lending to private enterprises for commercial purposes. However, in practice these banks are still regulated by the government and are patronizing parastatal organizations in lending against guarantees given by the Executive Committees of Districts on behalf of the government. The banks are being operated irresponsibly without profit motives, and they are constantly under liquidity constraints. Fund mobilization by banks is not yet well conceived and is being ignored. These banks' cash transactions are operated through the windows of the State Bank of Albania. All transactions are handled by the State Bank, and accounting practices are haphazard and unsystematic. Bookkeeping does not conform to the basic standards of banking practices.

People have no confidence in Albania's banks nor the banking system. Once money is deposited in any bank, including State Bank of Albania, cash withdrawal is seldom made immediately upon demand. The banking system is dilapidated and primitive, and accuracy in ledger accounts is lacking. Checkbook, demand draft, pay order or cashier check, letter of credit, sight draft, and bill of exchange, etc., are inconceivable to most of the bank officers.

All of these situations adversely aggravated the credit norms and banking practices although in the past under the centrally controlled economy, all activities were credit based. Credit flow, especially agricultural credit, is sluggish although demand for credit seems to be very high from the farm sector. Because of the acute constraint of money supply and liquidity problems, credit demands are not being met for agriculture or for private enterprises. The outlook would be bright for credit disbursement for agribusinesses in the private sector if viable supervised commercial credit programs were undertaken.

Credit

The economical and financial situation in Albania was very delicate and sensitive during the time of planning and implementing this program. Development of a viable credit program and making funds available for credit from Albanian banking sources for establishing new businesses in the private sector were extremely difficult. All three Albanian banks, now allowed to do banking independently and to finance private-sector trade and business, expressed reluctance to participate in fertilizer marketing credit because of liquidity problems and shortage of cash, as well as poor or no collateral base of newly emerging private-sector business. The Savings Bank of Albania initially showed some interest in the program but later declined to participate. The Albanian Commercial Bank participated by providing only one credit guarantee to the Eksimagro, a state enterprise, for bidding in the second urea auction.

Credit Arrangements

The Bank of Agriculture and Development, after much persuasion, agreed to provide 40 million lek of credit (guaranteed payment) for private-sector fertilizer purchases. IFDC and the Bank of Agriculture and Development jointly developed credit procedures for 90 days' (short-term) credit for working capital only. The following conditions applied:

1. The maximum credit for private individuals and firms was 100,000 lek and 200,000 lek for state farms and state commercial enterprises. The ceiling was fixed at 100,000 lek for all participants in the second auction, held on May 18-22.
2. A minimum of 20% capital (equity) participation was required.
3. The annual rate of interest for the commercial credit was 10% for the first auction and 30% for the second. However, some branch banks charged less than 30% rate of interest for the second auction.

The agreed conditions for credit approvals were:

1. An application would be made by the borrower to the branch bank for credit, mentioning a desire to participate in the fertilizer auctions.

2. Borrowers would open a current account with the concerned branch bank of the Bank of Agriculture and Development.
3. Borrowers would have to maintain a minimum cash balance of 20% of the anticipated bid value.
4. The availability of credit would depend upon the credit worthiness of the borrower.
5. For pledging of stock in warehouses, insurance coverage would be required if fertilizers were stored in the warehouse.

Although no law permitting foreclosure exists in Albania, the following were accepted as collateral for the credit program.

1. Mortgage of land (not yet titled in Albania): buildings, houses, warehouses, and movable properties, like trucks, tractors, buses and cars, etc.
2. Personal guarantees of partners, friends, and relatives.
3. Recommendation from a person of high integrity.
4. Pledging of fertilizer stock, inventories of other businesses, crops, and livestock, etc.

For popularizing the program, the bank issued detailed circulars to its branches describing the formalities to be observed. In addition, a conference was convened in Tirana for directors of branches to familiarize them with the procedures. The Bank of Agriculture and Development willingly worked with IFDC in developing and disseminating information about the credit program. The orientation seminars organized by IFDC for familiarizing potential auction participants with procedures for auctions of fertilizer and availability of credit for fertilizer purchases were also attended by representatives of the Bank of Agriculture and Development.

This credit for private-sector fertilizer purchases in Albania is the first and was developed and implemented hurriedly. The information about credit for fertilizer marketing was not properly disseminated to all concerned, including the branches of banks. Two orientation seminars were held in Tirana (sponsored by IFDC) for dealers, and one conference was convened by the Bank of Agriculture and Development for their branch directors. Unfortunately, only a few directors of branches attended the conference since many of them did not receive the announcement telegram sent to them. IFDC, however, tried to send the messages to all, as far as practicable, including by personal visits.

Credit Utilization

The first-ever commercial credit program for fertilizer marketing was launched in Albania for the private sector by the Bank of Agriculture and Development. IFDC assisted in arranging for the short-term credit (90 days) for participating enterprises in two auctions. In the first auction, 68 of 84 buyers purchased fertilizer using credit from branch banks of the Bank of Agriculture and Development; in the second auction, 91 of 115 buyers were partially covered by credit. Thus, about 86% of the buyers used credit for a portion of the fertilizer. Considering both auctions, 90% of private dealers, 70% of state commercial enterprises, and 89% of state farms used credit (Table 1). It is viewed that the need for credit for agribusiness will increase in the near future.

In spite of the lack of adequate communications and clarification of procedural modalities to bankers, 33% of the total cost of fertilizer purchased by bidders was with credit arranged from the banks for both auctions (29% in the first auction and 37% in the second auction). Credit from the Bank of Agriculture and Development for fertilizer auctions amounted to 15,593,125 lek of which 6,800,547 lek was in the first auction and 3,792,578 lek in the second auction (Table 2). The bank also mobilized a cash deposit of 31,322,708 lek through the credit program as an equity participation by the dealers in both the auctions. Additionally, cash deposits were made by unsuccessful bidders.

The credit ceiling imposed by the bank for the first private-sector commercial credit in Albania played a tremendous impact on the auction prices. The private-sector agribusinesses are just emerging with interests from people who worked under the central economic system without accountability and responsibility. The formation of capital to them was difficult in the past unless one had some source of external money supply. The credit line ceiling deterred adversely the successful participation of the private sector in the first auction. With equal credit ceiling for state enterprises and the private sector in the second auction, the latter purchased 73% of the urea compared with 50% in the first auction. The conditions imposed by the bank were opposed by IFDC, but the bank expressed their inability to alter these conditions because of (1) inadequate collateral and (2) apprehension for failure of the private-sector dealers since they had newly entered business without experience and expertise.

Credit Recovery

Recovery of credit for urea sales at auction was 100% of the guaranteed amount by the bank. Information is not available from all branch banks on the date of payment because for some state enterprises credit for the purchase of fertilizer was not differentiated from other credit. However, data for 145 loans totaling 12,792,624 lek (82% of total credit) show that 59% of the credit was repaid within 30 days, and an additional 28% was repaid within 30 to 60 days (Table 3).

This is a magnificent record considering that there are no foreclosure laws, no titles to land, and few auction participants had business experience. The record indicates the seriousness of the commitment of buyers, particularly the private sector.

Auctions

The USAID grant to IFDC and the "Agreement between the USAID and the Government of Albania" stipulated that the emergency supply of urea would be sold by auction. Two aspects of this decision concerned many people in Albania, and there was great apprehension about the prospects of successfully implementing the program.

First, many thought that donor commodities should not be sold, and that the fertilizer should be provided free to farmers. Many politicians, before and after the elections, were expounding that idea. Second, auctions had not been conducted in Albania. Thus, people had no idea what to expect.

Under these conditions, a grave economic situation, and many other constraints that are discussed in a companion report, "Entrepreneurial Development in Albania," auction procedures were developed and 20,000 tons of urea was sold.

Procedures

Invitations to bid were prepared and translated to Albanian (example, Appendix B). Principally, the invitation stated what was for sale, where and when bids (sealed envelope) would be accepted, contents of the envelope (invitation, including the bid and a letter from a bank stating the maximum payment for auctioned urea which the bank guarantees on behalf of the named bidder), lot size (50 tons), maximum quantity of purchase by an individual buyer (500 tons from the first 10,000 tons of urea and 400 tons from the second), criteria for awarding winning bids, and IFDC's and the buyers' responsibilities.

During the week prior to auctions, announcements were given by television, radio, and newspapers. Media involvement is discussed in the companion report, "Entrepreneurial Development in Albania."

A bid box (or boxes [one for each urea delivery point]) was placed at the preannounced location and locked at the designated time. Assistants attended the boxes, answered questions, and attempted to ensure that envelopes contained the correct documents and were deposited through the slot of the correct box.

At the designated time the box was opened and envelopes were removed and labeled. Envelopes were opened sequentially and information was recorded. Then the validity of each bid was determined by examining the bid documents for completeness and the bank's letter for authenticity. Winning bids were selected from the valid bids by listing bids from the greatest to least bid value per lot until the number of lots offered during that day was assigned. In the event of equal bid values from different bidders for the least accepted bidding price and provided all of those bids were accepted and the number of lots exceeded those offered, a lottery determined the buyer(s) of the lot(s) selling at that price. Winning

bidders were announced and the letters of bank guarantee were returned to unsuccessful bidders for their use in future auctions if they desired.

Quantities of Urea Awarded

Auctions were conducted for 8 days at Durres for delivery of a total of 160 lots (8,000 tons) from Durres for the first shipment. At Vlora, auctions were held for 6 days for delivery of a total of 32 lots (1,600 tons) from Vlora and 2 days for delivery of eight lots from Saranda. For the second shipment auctions were conducted for 5 days only in Tirana for delivery from Durres, Vlora, and Pogradec. Originally, the plan was to offer 30 lots per day for delivery from Durres, 6 lots per day from Vlora, and 4 lots per day from Pogradec. Because of collusion among dealers both from the southwest and southeast, no bids were awarded on 1 day for delivery from Vlora and 2 days for delivery from Pogradec. The scheduled number of lots offered for different delivery points was modified, resulting in 161 lots awarded for Durres, 24 for Vlora, and 15 for Pogradec. The number of daily bids and awards are shown in Tables 4 and 5.

A summary of results from the first and second auctions is shown in Table 6. There were a total of 706 bids submitted for the 20,000 mt of urea. The number of bids was about equal for the first and second shipment. However, about 10% more bids were awarded during the second auction than during the first. This reflects a greater number of winning bidders for fewer lots during the second auction. An average of 1.57 lots was awarded per bid versus 1.74 lots during the first auction. This is the result of a greater number of lots per bid being awarded to the private sector and fewer lots per bid being awarded to state commercial enterprises during the second auction. The number of lots per bid awarded to the private sector increased from 1.05 to 1.36 from the first to second auction while lots per bid awarded to state commercial enterprises decreased from 5.75 to 2.88. Possibly this indicates the private sector's more cautious approach and limited supply of funds, but also it shows their aggressiveness and strengthening during the second auction.

The private sector was awarded 50% of the urea during the first auction and 73% during the second auction. State farms were awarded about 3.8% of the urea in each auction. State commercial enterprises were awarded 46% of the urea during the first auction but only 23% during the second. Thus, the private sector was awarded 62%, state farms 4%, and state commercial enterprises 34% of the auctioned urea.

Prices for Awarded Bids

The awarded bid prices were extremely low, averaging 2.64 lek/kg (Table 6) compared with 10 lek/kg, commercially landed cost (50 lek/U.S. dollar, official exchange rate). The open-market rate of exchange was nearly 100 lek/U.S. dollar at that time. The average price during the first auction was 2.75 lek/kg and 2.54 lek/kg during the second.

The average price for urea awarded to the private sector was 2.45 lek/kg and was slightly greater during the second auction (2.54 versus 2.31 lek/kg). The average price for

state commercial enterprises was 2.90 lek/kg (3.14 and 2.42 lek/kg during the first and second auctions, respectively). State farms bid the greatest price for awarded bids; 3.94 lek/kg during the first auction and 3.26 lek/kg for the second, averaging 3.58 lek/kg.

Those values are somewhat distorted because winning bidders at high prices did not take delivery of urea. The average price was 2.43 lek/kg for the 384 lots of urea for which winning bidders paid.

Documentation and Controls

Forms for recordkeeping and controlling stock deliveries were developed in Albania. Those forms provide records of all task activities involving the receipt and transfer of the urea. The documentation flow chart is found in Appendix C.

The procedures through the awarding of bids were previously described, and the documentation is illustrated in Appendix C. After awarding bids, a letter was sent to the bank requesting confirmation of a blocked cash deposit account and the bank's guarantee for payment of the additional value, the sum of which was at least equal to the total bid price by the indicated bidder. A delivery authorization was issued to the buyer when IFDC received the bank's confirmation for payment. At the same time, copies of a form for the dealer to authorize a driver and vehicle to take delivery were issued to the buyer. Those tasks were handled at the IFDC/Albania office in Tirana.

The original copy of the delivery authorization was sent to the IFDC dispatching office at the designated delivery point where a dispatching file was opened for each authorization. When a dealer or a designated driver reported to the dispatching office, the driver/vehicle authorization was issued. After loading, one copy of the completed form was collected from the driver before he could leave the area. This was placed in the dispatching file.

Counterpart Fund

All proceeds from the sale of urea and revenues generated from the operation of the trucks constitute a Counterpart Fund. The Government of Albania established a blocked account (USAID Fund for Albanian Agriculture) with the Bank of Agriculture and Development for the deposit of revenues from fertilizer sales at any branch of the Bank of Agriculture and Development. Funds in this account may be released only after a joint agreement between USAID and the Government of Albania stipulates how the funds will be used.

Funds were deposited in the 26 district branches of the Bank of Agriculture and Development where urea purchasers reside and were later transferred to the Tirana

branch, awaiting programming by USAID and the Government of Albania. The Bank confirmed that the account balance from the sale of urea totaled 46,915,833 lek on December 8, 1992. Actually, the balance (Table 7) consists of funds from:

1. 46,617,025 lek from auction sale of 184 lots of urea.
2. 254,918 lek from collection for excess delivery of urea.
3. 34,890 lek from the sale of damaged bags of urea at cleanup.
4. 9,000 lek more than the total sales proceeds (bank report).

A separate account (IFDC truck revenues) was established at the Durres branch of the Bank. This is an unblocked/operable account. Renters of the IFDC trucks made deposits into this account prior to using the trucks to haul fertilizers. Total revenues from transporting urea were 744,750 lek. Additionally, the account earned interest of 1,318 lek on June 30, 1992, and 5,034 lek on September 30, 1992 (Table 8).

Withdrawals were taken from this account to refund urea buyers who did not receive the total quantity of urea for which they paid after auctions. Failure to fill all bids that were awarded resulted from shortage in receipt of urea and losses at the port (documented in "Logistical Considerations in the Emergency Distribution of Urea Fertilizer in Albania") and delivery in excess of bid-awarded quantities to some buyers. Refunds totaling 292,444 lek were made to 9 purchasers. Of this three checks, totaling 6,827 lek, had not been cashed on September 30, 1992. Thus, the net balance in the "Truck Revenues Account" was 458,658 lek on September 30, 1992, from the emergency supply of urea. Those funds remain in the "IFDC Truck Revenues" account at the Durres Branch of the Bank of Agriculture and Development.

Project Environmental Impact

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 urea and ammonium nitrate at Fier, are described in detail in IFDC's report, "Fertilizers in Albania: Situation, Analysis, and Recommendations." However, because the analysis of environmental impact was not part of the study's terms of reference and 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. Where the fertilizer was not sold and had to be stored, it was kept 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 was rebagged and subsequently delivered to dealers. When dealer pickup became slow in July (essentially end of use season), the final quantity (including broken bags and spilled urea) was sold at a discount from auction prices under the terms of quick cleaning of the port warehouse. The warehouse and surrounding area was cleaned, and sweepings were placed in bags and hauled away by the dealer.

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 because the fertilizer provided by the project only constitutes 12% of the nitrogen consumed in the peak year of 1989. Even in districts receiving disproportionate amounts compared with other districts, fertilizer deliveries amounted to much less than peak consumption achieved previously. 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 is not properly bagged. 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 its storage and transport.

Table 1. Purchasers Using Credit for Buying Urea (First and Second Auction)

Category of Purchaser	Total Buyers	Buyers With Credit		Value of Credit Taken	Distribution of Credit
	(No.)	(No.)	(%)	(leks)	(%)
Private dealers	116	104	90	10,532,613	67.5
Commercial enterprises	27	19	70	3,783,900	24.3
State farm	9	8	89	1,276,612	8.2
Total	152	131	86	15,593,125	100.0

10

Table 2. Data on Credit Used for Urea Purchased by Auction

Category of Purchaser	Buyers	Lots Bought	Value Paid	Funds by Source		Credit Used	
				Own	Credit	Value Paid	Total Credit
	(No.)	(No.)	(lcks)	(lcks)	(lcks)	(%)	(%)
First Auction							
Private dealers	65	93	10,291,862	5,612,917	4,678,945	45	69
Commercial enterprises	15	92	11,986,143	10,641,153	1,344,990	11	20
State farms	4	8	995,113	218,501	776,612	78	11
Total	84	193	23,273,118	16,472,571	6,800,547	29	100
Second Auction							
Private dealers	91	134	16,442,098	10,588,430	5,853,668	36	67
Commercial enterprises	19	51	6,370,417	3,931,507	2,438,910	38	28
State farms	5	6	830,200	330,200	500,000	60	5
Total	115	191	23,642,715	14,850,137	8,792,578	37	100
Total							
Private dealer	116	227	26,733,960	16,201,347	10,532,613	39	68
Commercial enterprises	27	143	18,356,560	14,572,660	3,783,900	21	24
State farm	9	14	1,825,313	548,701	1,276,612	70	8
Total	152	384	46,915,833	31,322,708	15,593,125	33	100

1. The total number of buyers does not equal the sum of first and second auction buyers because some bought during both auctions.

Table 3. Credit Repayment for Urea Purchases Through Auctions and the Amount of Interest Paid

Location	Number of Loans	Repayment Made			Average Time for Credit Repayment	Credit Taken	Interest Paid	Interest Paid
		Within 30 Days	Within 60 Days	Within 90 Days				
		----- (%) -----			(days)	(lek)	(lek)	(% of credit taken)
Kavaja	21	67	77	100	33	1,798,060	53,911.9	3.0
Korce	7	72	100	100	20	333,085	9,639.0	2.9
Pogradec	6	33	83	100	32	465,416	7,304.2	1.6
Mirdita	1	100	100	100	1	75,650	-	-
Shkodra	8	25	50	100	60	780,000	18,303.0	2.3
Fier	4	100	100	100	12	338,500	3,484.0	1.0
Durres	13	46	92	100	32	1,129,802	34,345.0	3.0
Lushnja	4	100	100	100	13	394,950	2,671.0	0.7
Vlora	3	-	100	100	46	273,000	3,582.1	1.3
Tirana	15	60	93	100	30	1,193,061	20,551.1	1.7
Elbasan	38	55	87	100	30	3,744,300	98,746.0	2.6
Librazhd	6	83	99	100	21	600,000	8,639.0	1.4
Kruja	13	61	88	100	33	1,119,800	20,156.4	1.8
Berat	2	100	100	100	21	198,000	2,772.0	1.4
Puke	3	50	71	100	45	300,000	7,500.0	2.5
Kukes	1	100	100	100	27	49,000	980.0	2.0
Total	145	59	87	100	32	12,792,624	292,584.7	2.3

Note: Some Agro-Commercial Enterprises not included. Fertilizer credit not specifically identified.

12

Table 4. Number of Bids Received and Awarded and Number of Lots Awarded, First Auction

Auction Date	Durrës			Vlora			Saranda			Total		
	Number of Bids	Awarded Bids	Number of Lots	Number of Bids	Awarded Bids	Number of Lots	Number of Bids	Awarded Bids	Number of Lots	Number of Bids	Awarded Bids	Number of Lots
24/4/92	60	12	31	-	-	-	-	-	-	60	12	31
25/4/92	48	18	29	-	-	-	-	-	-	48	18	29
27/4/92	38	9	20	8	4	8	2	1	4	48	14	32
28/4/92	31	19	20	5	3	8	6	2	4	42	24	32
29/4/92	-	-	-	11	3	4	-	-	-	11	3	4
30/4/92	37	10	20	5	3	4	-	-	-	42	13	24
2/5/92	43	15	21	5	4	4	-	-	-	48	19	25
4/5/92	39	8	19	7	4	4	-	-	-	46	12	23
Total	296	91	160	41	21	32	8	3	8	345	115	200

64

Table 5. Number of Bids Received and Awarded, Second Auction

Auction Date	Dures			Vlora			Pogradec			Total		
	Number of Bids	Awarded Bids	Number of Lots	Number of Bids	Awarded Bids	Number of Lots	Number of Bids	Awarded Bids	Number of Lots	Number of Bids	Awarded Bids	Number of Lots
18/5/92	31	16	30	3	-	-	10	1	3	44	17	33
19/5/92	63	24	35	12	3	6	10	-	-	85	27	41
20/5/92	61	19	30	9	2	6	16	8	8	86	29	44
21/5/92	56	21	30	14	2	6	7	4	4	77	27	40
22/5/92	51	21	36	14	5	6	4	-	-	69	26	42
Total	252	101	161	52	12	24	47	15	15	361	126	200

14

Table 6. Summary Results From Auctioning of 20,000 tons of Urea

	First Auction	Second Auction	Total/Average
Total bids (no.)	345	361	706
Winning Bids (no.)	115	127	242
Private sector (no.)	96	107	203
Commercial enterprise (no.)	16	16	32
State farm (no.)	3	4	7
Total lots awarded (no.)	200	200	400
Private sector (no.)	101	146	247
Commercial enterprise (no.)	92	46	138
State farm (no.)	7	8	15
Average lots bid award (no.)	1.74	1.57	1.65
Private sector (no.)	1.05	1.36	1.22
Commercial enterprise (no.)	5.75	2.88	4.31
State farm (no.)	2.33	2.00	2.14
Value, awarded lots (lek)	7,457,720	5,420,917	52,878,637
Private sector (lek)	11,657,665	18,551,483	30,209,148
Commercial enterprise (lek)	14,421,442	5,564,434	19,985,876
State farm (lek)	1,378,613	1,305,000	2,683,613
Average price (lek/kg)	2.75	2.54	2.64
Private sector (lek/kg)	2.31	2.54	2.45
Commercial enterprise (lek/kg)	3.14	2.42	2.90
State farm (lek/kg)	3.94	3.26	3.58

1. A total of 16 lots that were awarded were not purchased by a total of 8 winning bidders. Thus, these figures differ from figures for sales.
2. These figures represent the number of bids and are greater than the number of bidders because many bidders bid more than one more time.

15

**Table 7. Reconciled Statement of Total Collection of Urea Sale Proceeds,
December 8, 1992**

Name of Districts	Value of Auction Sale Proceeds	Amount Realized for Excess Delivery of Urea	Total Sales Proceeds	The Counterpart Fund "USAID" in Bank Branches
	(leks)	(leks)	(leks)	(leks)
Berat	788,255	-	788,255	788,255
Dibra	200,000	-	200,000	200,000
Durres	2,703,134	-	2,703,134	2,703,134
Elbasan	8,625,750	8,950	8,634,700	8,634,700
Fier	1,450,930	33,238	1,484,168	1,484,168
Gramsh	266,000	-	266,000	266,000
Gjirokastra	150,000	-	150,000	150,000
Kavaja	6,234,023	-	6,234,023	6,234,023
Korce	1,151,113	-	1,151,113	1,151,113
Kruja	3,435,851	28,890	3,464,741	3,469,741 *
Kukes	126,000	-	126,000	126,000
Lezha	1,154,000	-	1,154,000	1,154,000
Librazhd	1,669,400	2,600	1,672,000	1,676,000 **
Lushnja	3,167,400	115,600	3,283,000	3,283,000
Mat	384,450	19,991	404,441	404,441
Mirdita	260,600	29,096	289,696	289,686
Permet	210,020	-	210,020	210,020
Pogradec	656,416	-	656,416	656,416
Puke	375,400	-	375,400	375,400
Saranda	826,000	-	826,000	826,000
Skrapari	579,050	-	579,050	579,050
Shkodra	4,095,016	-	4,095,016	4,095,016
Tepelena	220,000	-	220,000	220,000
Tirana	3,986,817	4,020	3,990,837	4,025,727 ***
Tropoja	100,000	10,000	110,000	110,000
Vlora	3,801,400	2,533	3,803,933	3,803,933
Total	46,617,025	254,918	46,871,943	46,915,833

* The Bank reports 5,000 lek more than the total sales proceeds.

** The bank reports 4,000 lek more than the total sales proceeds.

*** Includes 34,890 lek more paid by one dealer for damaged bags of urea.

Table 8. Statement of Truck Revenues Account at the Durres Branch of the Bank of Agriculture and Development, September 30, 1992

Source	Debit (leks)	Credit (leks)
Total revenues (urea transport)		744,750
Interest paid by bank		1,318
- on 30.6.92		<u>5,034</u>
- on 30.9.92		6,352
Less payments made		
- Agrotregtare, Shkoder	182,202	
- Vladimir Kola, Fier	24,466	
- N. B. Gercalli, Fier	11,188	
- N. B. Belsh, Elbasan	22,400	
- N. B. Rushkull, Durres	2,711	
- Vesel Mema, Tirana	<u>42,050</u>	
	285,617	
Subtotal (Balance September 30, 1992)		465,485
Note: Checks issued but not cashed		
- Agrotregtare, Saranda	617	
- Agrotregtare, Lezha	6,000	
- Shagir Xhixha, Kavaja	<u>220</u>	
Total	6,827	
Grand Total (Net Balance September 30, 1992)		<u>458,658</u>

17

Appendix A

**Agreement Between the
International Fertilizer Development Center
and
The Government of Albania**

Agreement
between the
International Fertilizer Development Center
and
The Government of Albania

Relative to establishment in Albania of an
Office for Supply, Distribution, and Marketing
of Fertilizer and Other Key Agricultural
Inputs and for Advising, Assisting, and
Implementing Development of Agriculture

The International Fertilizer Development Center (referred to as "IFDC"), which is located in Muscle Shoals, Alabama, United States of America, and the Government of Albania (referred to as "The Government"):

Considering that the Center is a public, international, nonprofit organization established with the objectives of carrying out programs aimed at improving the quantity and quality of agricultural development and production for the developing countries;

Considering that IFDC proposes to establish an Office that will work to improve agriculture and agricultural know-how for the countries of Eastern Europe to raise the standard of living by improving the social, economic, and nutritional levels of the population of these developing areas; and

Considering the expressed interest of IFDC in establishing in Albania the said Office;
and

Considering that the Government through the Minister of Agriculture and Food agrees with the establishment of said Office in Albania; and

Desiring to define by this agreement certain matters relative to the establishment and the functioning of the said Office on Albania territory and to define the facilities, privileges, and immunities of Office in Albania;

Agree as follows:

Article I Definitions Within This Agreement

1. The expression "Albania authorities" means those local and national authorities and others of the Government of Albania which are authorized to act under existing Albania laws.
2. "The Government" means the Government of Albania.

3. "IFDC" means the International Fertilizer Development Center.
4. "Office" means the offices, employees, and facilities of IFDC in Albania.

Article II Legal Status

1. IFDC will cooperate with institutions, commercial enterprises and production organizations, (state or private) which are in Albania. It will coordinate its activities with fertilizer factories in Albania concerning the study and exchange of experience, marketing, etc., on the basis of the statute of IFDC and of Albanian legislation. For this purpose it will work out special working programs.
2. The competent authority recognizes the legal status of IFDC in its capacity to (a) make contracts; (b) acquire and dispose of fixed and movable assets; (c) undertake legal proceedings.
3. The Government recognizes IFDC as a public, international, nonprofit institution and extends to it the rights, privileges, and immunities which are granted to other international institutions of the same nature.
4. The Government will take all necessary measures to ensure that IFDC will have full use and access to all facilities, land, and buildings put at its disposition, according to IFDC activities.
5. Any facilities, land, and buildings of the Office are under the administrative authority to IFDC.
6. Working rules and regulations within the properties controlled by IFDC will be established by IFDC.
7. The Government recognizes the authority of the Board of Directors of IFDC to establish terms and conditions of employment of the staff without discrimination regarding national origin.
8. Scientific and professional qualifications will be the sole criteria of recruitment by IFDC.
9. Except when otherwise specified the laws of Albania will apply to the Office of IFDC.

Article III Legal Immunities of IFDC

1. The office, archives, and documents of IFDC are inviolable.
2. The agents or officers of the Government of Albania may not exercise their duties within the confines of the Office of IFDC without the agreement or request of the

Board of Directors of IFDC and under conditions stipulated by the Board or Board designee.

3. The office of IFDC, its buildings, furnishings, and assets are immune from legal and administrative procedures in Albania except when the Board of Directors of IFDC renounces this immunity.
4. Without limiting the provisions of this agreement the Office of IFDC will not permit its facilities to be used as a refuge for people sought by the law or expelled from Albania by the Albania authorities.
5. The Albania authorities guarantee free movement of IFDC staff and guests in and out of Albania.
6. The Albania authorities will give all necessary clearance for the free movement of materials necessary for the activities of IFDC both inside, and to and from Albania. These materials will be subject to the existing Albania rules and regulations concerning control of pests and diseases in order to prevent the introduction of plant and animal diseases.
7. IFDC, its belongings, and funds and assets, no matter where they may be or who may be holding them, will enjoy legal immunity unless IFDC has renounced this right in a particular case or waives this right in another contract.
8. The belongings and assets of IFDC, no matter where they are and who is in charge of them, are exempt from inspection, requisition, confiscation, expropriation, and all other forms of executive, administrative, or legislative constraints.
9. All archives and records and documents belonging to IFDC or held by IFDC are inviolable no matter in which place they are held.

Article IV Exemptions

1. IFDC is exempted from all duties and taxes and from all import and export prohibitions and restrictions pertaining to those articles imported or exported by IFDC for its official use. It is clearly understood, nevertheless, that duty-free imports cannot be transferred to a third party in Albania, except as otherwise identified in this agreement or may be agreed in the future.
2. IFDC is exempted of all duties and taxes, of all import and export prohibitions and restrictions with respect to publication, cinematographics, materials, slides, pictures, and tapes that IFDC imports or produces in the course of official duties.

- 21 -

3. IFDC is exempted from all duties and taxes and from all import and export prohibitions and restrictions pertaining to basic input agricultural materials or commodities such as fertilizer and fertilizer equipment and transportation equipment for handling, hauling, and distributing said materials or commodities. Further, IFDC is exempted from all restrictions, duties, and taxes on the distribution, disposition, or sale of said agricultural materials or commodities and transportation equipment, provided those transactions are carried out in administration of aid programs.

Article V Currency

Without being subject to any control, regulation, or moratory agreements IFDC can for official use:

1. Receive and hold funds and currency of all kinds and can hold accounts in any currency.
2. Freely transfer funds and currency both within Albania and/or from any other country.

Article VI Privileges of IFDC Board, Staff, and Employees

1. Members of the Board of Directors of IFDC, staff, and employees of IFDC will be exempt from income tax on salaries and benefits paid to them by IFDC.
2. Employees of IFDC not of Albanian nationality will:
 - a. Together with their dependents be exempt from the usual immigration controls.
 - b. Have the same foreign exchange privileges as the diplomatic corps.
 - c. For a 6-month period following their first assignment in Albania benefit from duty-free imports of furniture and personal belongings.
 - d. Be able to import on a temporary duty-free basis one motor vehicle per household. These vehicles will enjoy the same registration privileges as those of an international organization.
 - e. In the case of an international or internal crisis, IFDC staff and their spouses and dependents will benefit from the same repatriation procedures as the diplomatic corps.
3. It is understood that Albania nationals working for IFDC cannot benefit from the foregoing privileges and exemptions.

4. The privileges are given to the Board of Directors of IFDC, its staff, consultants, and other personnel not for their personal benefit but only to freely facilitate their duties with IFDC.
5. In order to avoid abuse of the exemptions and privileges not in the foresaid agreement, IFDC will cooperate with the Albania authorities to facilitate the effective administration of justice and to ensure respect for police regulations.

**Article VII Interpretation, Duration, Cancellation, and
Coming Into Effect of the Agreement**

1. Except when both parties decide to have recourse to another means of settlement of all differences between IFDC and the Government on the interpretation or application of the present agreement will be negotiated according to the principles of existing international law.
2. Should IFDC's offices in Albania be dissolved, then at the date of dissolution all of the offices' possessions other than buildings and land will be handed over to the Government for use in a manner similar to that of IFDC.
3. This agreement is for an indefinite period and can be canceled any time by either of the contracting parties.
4. Any notice of termination of the agreement must be given to the other party by registered and certified mail.
5. The termination will enter into effect 6 months from the date of receipt of the termination notice.
6. This agreement drawn up in two original copies in English and in Albanian will enter into effect immediately after it is signed by representatives of the Government and of IFDC.

Signed in Tirana on 31 October 1992.

For the Government of Albania

For the International Fertilizer
Development Center

Llazar Kora

Ray B. Diamond

Vice Minister of Ministry of
Agriculture and Food

Chief of Party
IFDC/Albania

23

Appendix B

Bid Document

24

Appendix B

*Any Document Given Prior to This Date (11 May 1992)
Is Invalid and Cannot be Used in the Auction*

International Fertilizer Development Center (IFDC)/Albania
(180-0024-G-00-2001-00)

Second Invitation for Auction Bid for Sale of Granular Urea Fertilizer (46% N)

Bidding Date: _____

Issued by: Ray Diamond, Team Leader IFDC/Albania

Address: Institute of Soil Studies, Tirana, Albania

Invitation

The International Fertilizer Development Center (IFDC) with authorization granted by an Agreement signed by the Government of Albania and the United States Agency for International Development (USAID) on 23 March, 1992, offers for sale by auction 7,500 mt of urea fertilizer (46% N) for delivery at Durres, Albania, and 1,500 mt at Vlora and 1,000 mt at Pogradec.

Bids (single copy within a sealed envelope) will be received by IFDC at Institute of Soil Studies, Tirana for the purchase by auction of granular urea fertilizer (46% N) in 50-mt lots for urea to be delivered to buyers at Durres, Vlora, and Pogradec. Bids will be received from 0800 hours until 1100 hours and opened and awarded beginning at 1100 hours on each bidding day on the following dates: 18, 19, 20, 21, and 22 May, 1992. Thirty (30) lots of urea will be offered for auction on all days for delivery at Durres, six (6) lots for delivery at Vlora and four (4) lots for delivery at Pogradec.

Terms and Conditions

Bidders may submit a bid for up to 8 lots in any one auction. To avoid monopoly control over the limited supply of fertilizer up for auction, the bidders winning during this second of auctions will be limited to 400 tons of the 10,000 tons available. Individuals or organizations that try to defeat this restriction by bidding under different names will have all their bids invalidated and will be excluded from further participation in the auction process.

No bid(s) will be received after 1100 hours on the day of bid opening and award for the specified lot(s).

25

The sealed bid envelope must contain two documents, namely:

1. This invitation for bid, properly signed and dated, including the attached bid form indicating the appropriate bidding date, number of lots on which bidding, and the total lek of the bid for a lot of 50 mt of urea for which you are bidding.
2. The specified letter of undertaking from an Albanian branch bank stating the maximum payment for auctioned urea which the bank guarantees on behalf of the named bidder.

The highest bids for lots up to the number of lots offered during that day shall be accepted as the winning bids. In the event of equal bids from different bidders for the lowest accepted bidding price and if all of those bids were accepted, the number of lots would exceed the number of lots offered, a lottery will determine the buyer(s) of the lot(s) selling at that price.

No delivery of urea will be made until the receipt of full payment is confirmed by the designated branch of the Bank of Agriculture and Development, Durres, Vlora, Pogradec. If no bid is received for any lot(s), the lot will be reassigned to a new bidding day.

The result of award of bids will be posted on the front gate of the location of bidding, and published in a leading media on the day following the award.

The banks' letter of undertaking (bank guarantee) for a bidder that was not awarded a purchase will be returned to that bidder for his use in a succeeding bid(s) as he desires. The bank guarantee would accompany new bidding documents (invitation to bid and bid form) for specified lots to be placed on auction on the particular date. The bank's letter of undertaking may be used for more than one bid provided that sufficient financial guarantee covers cost of all bids.

IFDC will deliver the urea on the transports to be arranged and placed by the buyer(s) at the locations to be designated. Buyers are responsible for arranging and paying for the transport of their urea.

IFDC makes no guarantee/warranty for the safe custody or delivery to the destination after the acceptance of delivery by the buyer(s), even if transported by IFDC trucks hired by the buyer(s).

IFDC through its accredited representatives assigned for the task reserves the right to accept or reject any bid without assigning any reason whatsoever and/or withhold any award(s) even after the issue of delivery order(s) and to place any lot(s) for new bid(s).

IFDC reserves the right to cancel and/or reschedule the day of bidding and time of bid opening for any reason whatsoever.

26

IFDC reserves the right to change the number of lots available for offering on any bidding day and the right to increase or decrease the total number of lots offered for delivery at each location.

The bidder hereby agrees that if awarded a bid(s) he shall:

1. Accept and purchase any or all of the lots of urea for which prices are quoted, at the quoted price for each lot.
2. Arrange transport at his cost and take delivery of the purchased urea within 7 (seven) days from time of receiving delivery orders and if not, he shall absolve IFDC of all risk and responsibilities for the lot(s).
3. Forfeit his right to ownership if he has not begun to take delivery within 7 (seven) days after receiving delivery authorization. In such a case, his cash deposit with the bank which is listed on the bank certificate will be transferred to the fertilizer project account, "Fund for Assistance of Albanian Agriculture, USAID."
4. Undertake to provide data to IFDC representatives and shall give/allow access to all facts, figures, records of sales, distribution of urea and credit payments made to banks.
5. Undertake to sell the fertilizer under general commercial practices to the retailers and farmers for use in Albania to support agricultural production and ensure adequate safety in handling and storage so as to prevent environmental hazards.

(Signature) _____

(Name) _____

(Address) _____

*Any Document Given Prior to This Date (11 May 1992)
Is Invalid and Cannot be Used in the Auction*

Attachment 1

Bid Form for (Date) _____ 1992

Each bid lot contains 50 mt of granular urea. State the amount of lek which you bid for each lot and the number of lots, up to a limit of eight, for which you are bidding. No individual or organization may bid for more than eight lots in any auction. If the individual or organization has won previously, they must limit the number of lots they bid for so that if they win all the bids given on this form, their total winnings from the second set of auctions will not exceed 400 tons.

The highest bids by rank will prevail for acceptance.

If after the concluding lot for the day has been auctioned, some bidders have offered a price equal to that of a winning bid, a lottery will determine the winner(s).

The lottery shall be conducted by placing the names of bidders in a container and having a neutral party select a single name at a time to assign a rank order of all names with the first name assigned the highest rank.

Times a bidder may have his name in the lottery shall be equal to the number of lots for which he initially bid.

I/We bid lek (numerals and words) _____
for each of (numerals and words) _____
lots to receive at _____
(Durrës, Vlora, Pogradec)

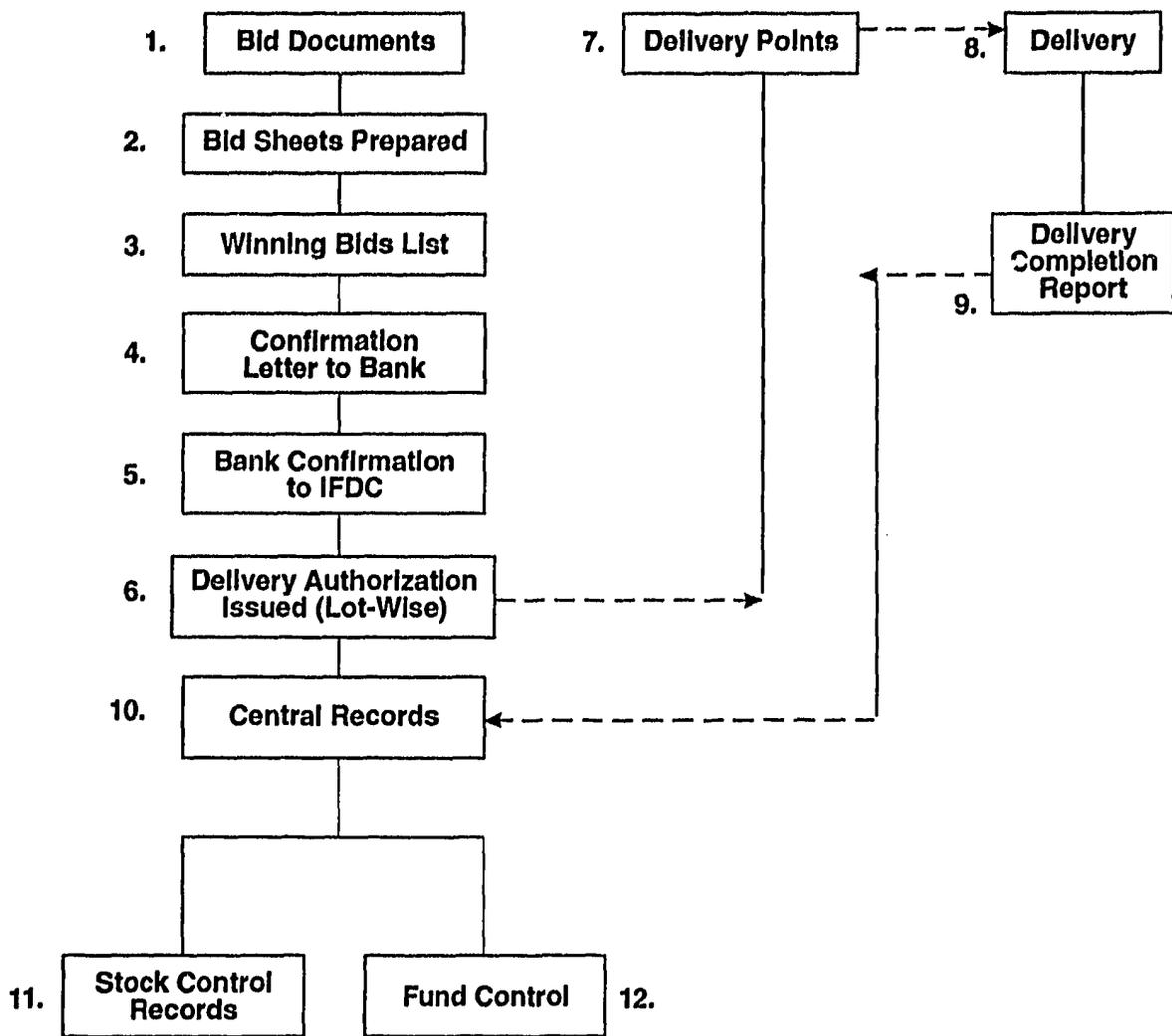
I/We enclose Certificate No. _____ which guarantees payment of lek
(numerals and words) _____
issued by the Bank of Agriculture and Development, or other bank,
_____ Branch.

(Signature) _____
(Name) _____
(Address) _____

Appendix C

Auction Administration and Documentation

- 1. Administration and Documentation Flow Chart**
- 2. Delivery Authorization (Form A)**
- 3. Driver/Vehicle Authorization (Form B)**
- 4. Loading Authorization (Form C)**



Appendix C-1. Auction Administration/Documentation Flow Chart

Form A (Modell A)

To: In-Charge (Ne ngarkim)
Delivery and Distribution
IFDC/Albania
(Levrimi dhe Shperndarja)

Authorization Date: _____
(Data e Autorizimit)
Authorization No. Da _____
(Autorizimi Nr)

Delivery Authorization (Autorizim Levrimi)

Receipt has been confirmed of full payment on account of the (Marrja u konfirmua me pagesen e plote ne llogari me emrin) following named bidder. You are authorized to deliver urea from (e fituesit te meposhtem. Jeni te autorizuar te livroni urene)

Lot No(s) _____ for a total of _____ tons urea
(nga lotet me Nr:) (ne total) (ton ure)

To (Per): _____
Bidder Name and Address (Emri dhe Adresa e Personit)

Signature R. B. Diamond
(firma)

**Dealer Authorization Forms for Collection of Fertilizer
(Forma e Autorizimit te Bleresit per Marrjen e Plehut)**

Ten (10) copies of Form B No. B _____ to B _____ authorizing collection of
(10 kopje te formularit B me Nr. tek lidhen me autorizimet e)
your fertilizer by lorry are attached. One copy must be sent with each lorry
(mjeteve te juaja per marrjen e plehut. Nje kopje duhet ti jepet cdo mjeti)
to collect your fertilizer.

(qe do marre plehun.)

Important: You must keep these forms secure.
(E rendesishme: Keta formulare duhen ruajtur)

Confirmation of Delivery (Konfirmimi i Levrimet)

Authorization No. Da _____
(Autorizimi Nr.)
Date (Data) _____

Lot(s) No. _____ has/have been delivered to the winning bidder
(Lotet Nr. qe kane qene levruar per bidin fitues)
and details of conveyance to which it was
(dhe jane detajuar ne aktin ne te cilin jane)

delivered are recorded in the attached file.
(levruar, jane shenuar ne fleten shoqeruese).

In-charge (Ne ngarkim)
Delivery distribution (Levrim Shperndarje)

Return to: (Per tu kthyer te:
Team Leader Shefi i ekipit
IFDC/Albania IFDC/Shqiperi)
Posted in attached file
(ngjitur me fleten shoqeruese)

Checked by _____
(Verifikuar nga)

Signature of Accounts Assistant
(Firma e asistentit te llogarise)

Form B (Modell B)

Serial No. _____

Lot No(s). _____

**Autorizim I Dhene Nga Bleresi Per Shoferin Qe Do Te Terheqe Plahun
(Dealer Authorization for Lorry to Collect His Fertilizer)**

Data (Date) _____

Emri dhe adresa e bleresit
(Name and address of dealer) _____

DA

Numri i autorizimit IFDC
(IFDC authorization number) _____Data e autorizimit IFDC
(Date of authorization IFDC) _____**Bleresi Autorizon Shoferin Per Marrjen Plehut Shpjeguar Si Me Poshte
(The Dealer Authorizes the Driver to Collect His Fertilizer as Detailed Below)**Numri i thaseve
(Number of bags) _____Numri i targes kamjonit
(Lorry plate No.) _____Emri i shoferit
(Name of driver) _____Numri i pashaportes shoferit
(Driver passport number) _____Firma e shoferit
(Signature of driver) _____

Autorizimi (Authorized by): _____

Emri i bleresit
(Dealer's name) _____Firma e bleresit
(Dealer's signature) _____Numri i pashaportes bleresit
(Dealer's passport No.) _____**Marre Nga Mbikqyresi I IFDC, Duke Kontrolluar Pashaporten
(Received by IFDC Supervisor. Driver's Passport Checked)**Firma
(Signature) _____Data, ora
(Date, time) _____

32

Form C (Modeli C)
Loading Authorization (Autorizimi I Ngarkimit)

Date (Data) _____

Form B Serial No. _____
 (Modeli B Serin Nr.)

Lot No(s) _____
 (Numri i partise)

Name and Address of Dealer _____
 (Emri dhe Adresa e bleresit)
 IFDC Authorization Number DA _____
 (Numri i autorizimit te IFDC)
 IFDC Authorization Date _____
 (Data e autorizimit te IFDC)

The Driver is Authorized to Collect the Fertilizer as Detailed Below:
 (Shoferi Eshte I Autorizuar Te Marre Plehun Si Shpjegohet Me Poshte:)

Number of Bags (Numri i thaseve)	_____
Destination (Destinacioni)	_____
Lorry Plate No. (Numri i targes se kamionit)	_____
Name of Driver (Emri i shoferit)	_____
Driver Passport No. (Numri pasaportes se shoferit)	_____
Authorized by (Autorizuar Nga)	_____
	Signature and Name of IFDC Control Office Supervisor (Firma dhe emri i mbikqyresit te zyres te kontrollit IFDC)

Confirmation of Receiving by Driver
 (Konfirmi I Marrjes Nga Shoferi)
 I confirm receipt of _____
 (Konfirmoj marrjen)
 bags of fertilizer
 (thaseve me pleh)
 Date (Data) _____

Confirmation of Delivery by IFDC
 (Konfirmimi I Shperndarjes Nga IFDC)
 I confirm delivery of _____
 (Konfirmoj shperndarjen e)
 bags of fertilizer as detailed above.
 (thaseve te plehut si me poshte)
 Date (Data) _____

Signature and Name of Driver
 (Firma dhe emri i shoferit)

Signature and Name of IFDC Loading Supervisor
 (Firma dhe emri i mbikqyresit te IFDC)

- Copy 1. To be sent by driver and given to dealer.
 (Mbahet nga shoferi dhe ijepet bleresit).
- Copy 2. To be signed by driver after loading and kept by IFDC Loading Supervisor.
 (Firmoset nga shoferi pas ngarkimit dhe mbahet nga mbikqyresi i IFDC).
- Copy 3. (a) Kept in Port office file, (b) when Copy 2 is returned to file, Copy 3 is sent to Tirana office.
 (a) (Mbahet ne dosjen e zyres kontrollit te IFDC (b) Kur kopja 2 (ne dosje, kopja 3 dergohet ne zyrat e IFDC Tirana.)

33