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Kosovo Emergency Agri-Input Program

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Completion of Project Report

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Acronyms

AFADA	Albania Fertilizer and Agribusiness Dealers Association
CORDAID	Catholic Organization for Relief and Development Aid
CPC	Crop Protection Chemicals
EU	European Union
FAO	Food and Agriculture Organization
GDP	Gross Domestic Product
ha	hectares
IFDC	International Fertilizer Development Center
KADP	Kosovo Agribusiness Development Program
KEAP	Kosovo Emergency Agri-Input Program
KODAA	Kosovo Dealers of Agri-Inputs Association
NGO	Non-Governmental Organization
UN	United Nations
UNMIK	United Nations Mission in Kosovo
USAID	United States Agency for International Development
USDA	United States Department of Agriculture

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Dan Waterman, IFDC Development Officer, drafted this report, which reflects the invaluable assistance of the project team in Kosovo and at IFDC Headquarters. Ian Gregory, Agribusiness Coordinator, played a vital role in designing and providing direction and encouragement throughout this project endeavor.

Kosovo Emergency Agri-Input Program

Executive Summary

The massive and spontaneous return of Kosovar Albanian refugees in the summer of 1999 following cessation of armed conflict presented the international community with a monumental challenge. Donors responded generously with humanitarian aid. Agricultural inputs, livestock, and other support worth $19 million, supplied mainly by the United States, enabled farmers to plant a winter wheat crop. The United States Agency for International Development (USAID) foresaw the need to plan immediately for ensuring availability and efficient distribution of critical agri-inputs for the spring 2000 planting season.

Based on the success of the International Fertilizer Development Center (IFDC) in establishing a private sector agri-input network in neighboring Albania, USAID provided the public international organization with a $750,000 emergency grant. Its purpose was to fund the assessment of emergency requirements for critical seed, fertilizer, crop protection chemicals (CPC), and other agricultural inputs for the next cropping season, and the technical assistance to support the organization of a private sector distribution network capable of distributing both donor and commercial supplies of the inputs.

The so-named Kosovo Emergency Agri-Input Program (KEAP) had five major clusters of objectives:

1. Assess the agricultural input needs and how they would be delivered for the spring 2000 planting.
2. Identify and organize entrepreneurs who can supply and market the critical inputs.
3. Develop a focused plan and credit requirements to provide an impetus for agribusinesses.
4. Disseminate basic market information and initiate market linkages with regional suppliers of agri-inputs.
5. Provide an assessment of policy priorities for the development of a market-based input supply system.

Anticipating an influx of freely provided agricultural commodities and commercial gaps, USAID was anxious to establish policy and institutional frameworks that would harness the entrepreneurial energy of Kosovars and set the stage for sustainable private sector mechanisms that could integrate agri-input aid into the market. Unique in its approach at the time, KEAP proved to be "a beacon for private sector led activities in agriculture." It clearly demonstrated a sound way for

transition to development and is recognized as such by the United Nations Mission in Kosovo (UNMIK) and government authorities in their planning.

Among its accomplishments KEAP has:

- Identified over 150 input dealers and 18 importers, motivated and trained them in forming a trade association, helped them conduct a series of district and national level meetings and democratic elections of officers, and put them in contact with suppliers in Albania and elsewhere.
- Disseminated timely, accurate, and rapid assessments of input requirements.
- Provided regular updates on the large commercial gap between donor input supplies and total demand.
- Assessed capital damages and provided advice to flour and feed millers, vegetable processors, and seed producers.
- Established trade associations of flour millers and of feed and poultry producers with potential membership of 90 and 105, respectively.
- Initiated a pilot credit program for dealers with a Dutch nongovernmental organization (NGO) that resulted in increased local agri-input supplies and a 30% reduction in prices.
- Proposed a scheme to auction and monetize donations of commodities from both the United States and European Union (EU) to establish a revolving credit fund for dealers.
- Offered policy recommendations on trade, taxation, and regulations concerning inputs and milling.
- Initiated systems and media feeds to provide market information for dealers and input recommendations for farmers.
- Began demonstration plots for new varieties of potatoes, corn, and beans, and set the stage for private sector extension services.
- Helped local dealers establish contacts with regional suppliers. Resulting deals included 4,000 tons of fertilizer and 800 tons of seed potatoes.

While successful overall in the exceptionally challenging environment and an 8-month timeframe, KEAP experienced problems that constrained realization of its full potential. For example, by using NGOs to distribute free agri-inputs and wheat flour, donors undermined efforts to activate private sector distribution and milling networks and added uncertainty about their intentions into the markets. Credit for dealers remained scarce, and subsidized fertilizer from Serbia undercut commercial imports. IFDC, the World Bank, and others were unable to convince revenue-strapped UNMIK to remove the disincentive of its customs tax on commercial fertilizer imports.

The lessons and promise that emerged from KEAP have encouraged USAID to fund IFDC to undertake a 2-year program aimed at strengthening the trade associations, providing business and technical training to members, analyzing and influencing policies, expanding access to credit, and providing support for technology transfer to farmers. The EU/UNMIK reconstruction investment program for agriculture in its next phase will rely heavily on the sustainable approach pioneered by USAID/IFDC of using the private sector to distribute inputs.

The significance and legacy of the project is its demonstration of the rapid interest and capacity to organize agricultural trade associations that promise to serve the needs of farmers and members. Clearly, the private sector in Kosovo can resume the primary role in ensuring the supply of and access to farm inputs and services, including the provision of technical and business information. Authorities and donors should encourage the process and help Kosovo achieve its significant potential in agriculture, e.g., by expanding the credit and financial services sector, supporting appropriate policy development and regulatory frameworks, stimulating demand for modern inputs, and helping establish markets for outputs.

Introduction

The recent conflict in Kosovo took a heavy toll on the economy and disrupted the lives of the entire population. Agricultural production and agro-processing, which had contributed significantly to the gross domestic product (GDP), were severely disrupted. The dislocation and fighting resulted in the loss of more than half of all livestock and assets and of at least two cropping seasons. The prior decade of exclusion deprived ethnic Albanians in Kosovo of administrative experience, understanding of modern business practices, and interaction with the world in an institutional capacity. Technical skills are 10 years out of date.

Agricultural development in Kosovo is complicated by the need to build new free market systems to replace the state-controlled traditions and institutions of the past and to recover from the devastation in the rural areas. Prior to the conflict, Kosovo was almost totally dependent on imported inputs, mainly from Serbia. There was essentially no credit available for agriculture, with a resulting decline in the use of fertilizer. The centralized, socialized price-controlled system was inefficient. Crop yields were low and the quality of processed food below international standards. Moreover, agriculture in Kosovo is characterized by tens of thousands of small family farms supporting 10 people on an average of less than 3 hectares (ha) of land. Total cultivated area is 400,000 ha, with three-fourths devoted to cereals.

Restarting agricultural production was critical for meeting the humanitarian crisis, ensuring food security, and initiating rural development and employment growth. There were conducive factors that offered opportunities on which to build, even in the emergency stages of donor intervention. For example, 96% of the land in Kosovo was privately owned, about 90% of all enterprises were private, and ethnic Albanians had developed advanced informal markets including agri-inputs. Overseas Kosovars provided generous remittances (estimated at $160 million a month) that could purchase critical inputs. There was a history of collaborative behavior and self-financed business. The proximity to Albania with active markets could also provide natural linkages.

Virtually all the donor-funded projects launched in 1999 were of a humanitarian nature aimed at feeding, housing, and resettling the returning population. Donors provided emergency assistance grants for 25 small agricultural projects worth $19 million under the Food and Agriculture Organization of the United Nations (FAO) coordination. USAID, under the Office of Foreign Disaster Assistance, contributed $13.2 million of the total allocated under agricultural emergency. Agricultural inputs were supplied under14 projects worth $9 million and met half of the fertilizer needs.

The USAID Mission in Kosovo saw the need on an emergency basis to identify agricultural input requirements for the spring 2000 cropping season and to begin identifying and organizing a private sector distribution and marketing network. The intent was to establish a local private sector alternative to the donor-supplied

inputs distributed to farmers for free by NGOs. There was evidence that some farmers, even in 1999, could purchase inputs and thus stimulate commercial supplies.

Thus, IFDC devised KEAP in the summer of 1999 to capitalize on the conducive factors noted above and draw on the successful strategy of private sector development pioneered by USAID and IFDC in Albania. The goals and approach designed for KEAP directly support USAID strategic objectives for Kosovo by providing crucial technical support in building an environment for a market-driven economy.

Economic growth is key to Kosovo's ability to address its own long-term needs. KEAP strove to reconstruct the private economy by building on entrepreneurial capabilities and informal trade and finance networks and to develop human capacity.

The activities were designed to lay the groundwork to handle the emergency situation and, in the process, to improve the operation of key agricultural markets and selected agribusinesses. It supported the growth of small and medium enterprises by upgrading business development and market linkage capabilities.

KEAP was launched in October 1999 with a grant of $750,000, initially for a 6-month period and then extended for 2 more months with no additional funds. The first step and objective was to produce a needs assessment and workplan. That document provided the relevant background, framework, sequencing, and strategic underpinning for activities aimed at establishing a private sector agri-input supply network, reforming sectoral trade policy in agricultural inputs and outputs, and identifying economically viable agro-processing facilities. The workplan specified expected outputs and outcomes. This is the completion report for the KEAP project, which ended on May 31, 2000.

Performance

Though originally designed for 6 months, the project was extended for an additional 2 months to adjust for the difficulty in getting established in the confusing Kosovo scene and to maintain the momentum and transition for a follow-on project. The performance indicators and actual results described below reflect the combination of outputs proposed in the grant and as amended and elaborated in the subsequent workplan and project extensions.

The project objectives, activities, and outputs have been clustered and summarized into five packages of results indicators in a chart format for ease of comparison. The monthly progress reports and subsequent sections of this report provide more details of activities and outcomes.

A. Assess the agricultural input needs and how they would be delivered for the spring 2000 planting.

Performance Indicators	Actual Project Results
1. Perform rapid assessment of agri-input situation and needed actions.	1. Assessment and plan completed in November, when agreed activities began.
2. Survey donor supply intentions and commercial gap for spring planting season.	2. Accurate, timely information collected on regular basis; shared with FAO, Focus on seeds and fertilizer for spring and topdressing fertilizer for winter wheat crop. Other donor groups worked on machinery.
3. Assess financial requirements of Kosovar importers and assist them and distributors in ordering fertilizer and other inputs.	3. Financial needs assessed in December. Procurement help provided for imports.
Goal – Improved availability of essential agri-inputs to meet demand.	**Goal** – Donors provided 50% of seed and 25% of fertilizer; project helped commercial suppliers know and fill half the gap.

B. Identify and organize entrepreneurs who can supply and market critical inputs.

Performance Indicators	Actual Project Results
1. Identify cadre of entrepreneurs and leaders.	1. Identification completed in December with first workshops for importers and dealers.
2. Organize agribusiness market networks; provide training.	2. Market networks at provincial and district level formed; regular meetings held. Business and technical training provided at regular organizational meetings. Negotiations underway to channel 35,000 tons of EU fertilizer through the local dealer network.
3. Form associations; hold elections and meetings.	3. Trade associations formed and registered for 168 agri-input dealers, 90 flour millers, and 105 feed and poultry producers. Bylaws drafted and elections held.
Goal – Change in market structure; increased cooperation and competition.	**Goal** – Effective, cooperative private sector networks established via trade associations – commercial imports of fertilizer and seed, evident competition.

C. Develop a focused plan and credit requirements for stimulating selected agribusinesses.

Performance Indicators	Actual Project Results
1. Identify and prepare plans for some key agro-enterprises for emergency help.	1. Key agro-enterprises were identified in January and February. Plans in progress to convert United States Department of Agriculture (USDA) and EU feedgrains into credit for agribusiness. Poultry workshop held in February.
2. Survey the state and needs of flour and feed millers, seed producers, and vegetable processors.	2. Expert prepared report and held workshops on economic viability of several facilities in three agro-industry sectors in March that will serve as basis of business planning. Local university professors prepared enterprise surveys in vegetable and other sub-sectors. Two experts advised seed cleaning plant in March. Cash grain exchange recommended.
3. Survey finance needs and assist agribusinesses with access to credit.	3. Of estimated $40 million needed by input suppliers, donors planned to provide $10 million and importers themselves $10 million. Pilot credit project for dealers started with CORDAID.
Goal – Set the stage for rapid reconstruction and credit access for selected agro-enterprises.	**Goal** – Stage is set for business plan, technical, and credit access assistance to stimulate businesses.

D. Disseminate basic market information and initiate market linkages with regional suppliers.

Performance Indicators	Actual Project Results
1. Develop business and trade relations with regional and international suppliers.	1. Contacts underway with Albanian, Croatian, Dutch, Macedonian, American, and French suppliers. International procurement expert in February helped establish the service at the project. Seminars arranged for greenhouse supplier.
2. Provide market information to importers and dealers of agri-inputs.	2. Weekly price and supply information provided to importers. Technical presentations made at 10 regional association meetings on the main crops.
3. Disseminate information on new products to dealers and farmers.	3. Weekly radio program and special newspaper supplement, other media stories, and training for dealers provide technical information, including proper use of herbicides. Two demonstration plots planted in May for Pioneer maize, potato, and other seeds.
Goal – Establish base for regular market and technical information flows including media.	**Goal** – Systems in place to provide market information, procurement assistance, and private sector extension services.

E. Provide an assessment of policy priorities for the development of a market-based input supply system.

Performance Indicators	Actual Project Results
1. Assess policy priorities and engage in dialog with authorities on trade, tax, and other constraints to agri-input development.	1. Analysis of impact of customs and other taxes and import of flour instead of wheat produced in December. In April devised policy priority framework. Dealer association, with IFDC assistance, prepared campaign in May to remove fertilizer taxes.
2. Assist USAID in coordinating donor programs related to private sector input supply and use of proceeds of sale of commodities for revolving credit.	2. Information by project helped donors and dealers. Despite efforts, donors mostly provided free inputs through NGO channels.
3. Provide analysis on harmonizing agricultural policies with EU and WTO; advise on legal framework for private property and on institutional support	3. Expert provided analysis regarding harmonization. Work was not undertaken on legal, institutional, and macro trade and finance policies.
Goal – Encourage authorities to adopt private sector, market-driven approach to agri-input distribution and influence.	**Goal** – The project successes and arguments helped convince the UNMIK/EU to work through private sector dealers in next phase of reconstruction.

New Trade Associations

Prior to the conflict, a multi-channel farm input distribution system existed that consisted of state-operated agribusiness corporations, cooperatives, and scores of private sector dealers. The number of Albanian Kosovar private agri-input traders grew during the 1988-98 period as a result of Serb suppression. However, the parallel, informal system was characterized by the lack of the following: competition, linkages to regional markets, access to trade credits, and updated technology and application prescriptions.

During the influx of donor-supplied agricultural inputs, larger importers and wholesalers with access to capital were able to participate in the process, but smaller dealers were left out of the supply chain for NGO-distributed seed and fertilizer and the opportunity to supplement aid supplies with commercial ones. Farmers, in many cases, had cash to purchase more agri-inputs.

Once KEAP was launched, IFDC moved quickly to identify and assemble agricultural input dealers; this action was highlighted by well-publicized separate meetings for importers and dealers in mid-December 1999. The groups responded positively to the concept of forming a trade association, despite preoccupation with reconstruction of the war damage to homes and businesses. Leaders of the IFDC-established Albania Fertilizer and Agribusiness Dealers Association (AFADA) participated in the early meetings and explained the benefits of membership.

The Kosovo Dealers of Agri-Inputs Association (KODAA) took shape remarkably quickly. Following regional meetings, elections of leaders and agreement on structure and purpose, KODAA was formally registered in March 2000. The establishment of KODAA represented an early success for KEAP, reinforcement for the USAID vision for the role of private sector, and an encouragement for other agricultural trade associations.

While assessing flour and feed mills and the linked poultry operations, project staff identified entrepreneurs in those industries and stimulated them to form associations. Thus, the Flour Millers' Association and the Poultry and Feed Millers' Association were established and registered. Vegetable producers and processors are also in the process of forming an association. Preliminary discussions are underway to promote the creation of a seed producers' trade association.

Each association has a nine-member elected board, including heads of five working committees dealing with advocacy, credit and finance, membership, professional development and extension, and bylaws.

KODAA	168 members (18 importers & 150 dealers)
Flour Millers' Association (SHMK)	90 members
Poultry and Feed Millers' Association (SHPUK)	105 members

KEAP staff and experts used the regional KODAA meetings to introduce association procedures and to present current market information and technical training and agricultural input recommendations for the different types of soils. Meetings of the other associations dealt with critical issues such as reconstruction of damaged property, the donor-provided flour instead of wheat for local milling, decline of production of feed concentrate to only 10% of present needs, and inadequacy of capacity if livestock and poultry numbers return to preconflict levels. Lack of access to credit and capital affects nearly all members. A follow-on project will focus on delivering valuable services, such as help in preparing business plans, providing procurement assistance, hands-on assistance in problem solving, generating access to credit, and assistance in advocating policy changes.

The associations are at an early stage and will require considerable nurturing. Critical to their success and sustainability will be the degree to which members see real benefit in exchange for their dues and participation.

The enthusiasm and evolving action agendas, however, indicate that agricultural trade associations in Kosovo hold similar promise to those operating in neighboring Albania. The associations can help in generating the stimulus and environment for a growing private sector economy led by small and medium enterprises.

Agribusiness Development

In addition to helping organize the agricultural input sector and trade associations, KEAP was charged with assessing the emergency requirements for reactivating agro-processing industries and the credit and finance situation for agribusiness generally. The food processing industry in Kosovo has been a combination of state-owned enterprises associated with state farms and cooperatives and of a large number of smaller privately operated plants.

The socially owned enterprises largely escaped war damage but had been stripped of some critical assets over the previous decade. The private sector facilities, on the other hand, were specifically targeted by Serb forces during the conflict.

The industry in general is functioning far below capacity and faces several problems, notably the lack of financial resources, outdated technology and management practices, intermittent electricity, interruption of raw material supplies, and disruption of markets.

Because of their broader impact on the economy and large numbers of farmers, KEAP studies focused on flour mills, feed mills, and the associated raising of poultry for eggs, vegetable processing, and seed production (wheat, maize, and potatoes). These focal areas offer considerable opportunities to develop rural

employment and value-added activity and to advance the highly mechanized farming sector. For example:

- An evaluation of the private flour mills established that there are 50 mills with total capacity to meet current demand for flour if they had access to sufficient supplies of wheat, reliable electricity, and storage space. The larger mills have equivalent capacity and perhaps even more severe constraints.
- A rapid survey of feed mills revealed significant destruction of property and current production that meets only 10% of current needs. The study also recommended increased production of maize and introduction of high protein crops that could substitute for imported ingredients.
- A detailed study of flour and feed mills provided a detailed analysis and recommendations on the individual facilities and provided a concrete first step in an action plan for revival of the industries.
- A plan for a cash grain exchange to develop the grain markets was drafted.
- The increased vegetable production in 2000 will depress prices unless processing units are able to handle the harvest peak.
- A study of a large vegetable processing plant in Prizren found the facilities to be in good condition and, with capital and re-engineered management, viable.
- A concept paper on the requirements and steps to activate a seed production system in Kosovo was developed.

With the limited funding and time available, KEAP focused on surveying the state of key food-processing operations, identifying the promising ones, and assessing their immediate requirements. The project included neither a credit component nor the capacity to prepare feasibility studies and business plans. Given the virtual absence of a banking system and formal sources of finance and working capital for agribusiness, concrete steps to revive agro-processing must be postponed until the next phases of donor interventions. KEAP did, however, move forward in trying to secure sources of credit for agri-input dealers. Based on an analysis of working capital available for agri-inputs, the project staff met with UNMIK, donors and NGOs, the newly established Micro-Enterprise Bank, and commercial suppliers.

As a result, IFDC entered an arrangement with the largest Dutch NGO, Catholic Organization for Relief and Development (CORDAID), which established a pilot rural bank to serve trade association members in Gjakova. Twelve local KODAA members are receiving seasonal credit of $265,000 to finance their trade. CORDAID plans to open a bank that will be able to provide $2 million in revolving credit for agribusinesses. According to district KODAA leader, Veli Hajdaraga, the *credits have already resulted in fully stocked retail outlets for agri-inputs. Farmers in the surrounding area not only have access to modern inputs, but the prices have also declined by 30%.*

IFDC has proposed that the EU channel a 35,000-ton fertilizer aid shipment through the association and use some of the proceeds from sales to establish a

revolving credit fund for dealers. IFDC also hopes to participate in EU and USDA programs to supply feed grains. The proceeds from the sales could then be used to establish revolving credit funds aimed at stimulating agribusiness growth.

Policy and Coordination

Underlying all KEAP activities was the shared USAID/IFDC goal of promoting a market-driven agricultural sector in Kosovo based on private participation and minimal bureaucratic infrastructure. In view of the humanitarian emergency in the summer of 1999, food, shelter, and agri-input kits were provided directly to the returning refugees. Donors and NGOs were inclined to give inputs to farmers for the spring crops also. Donor programs were not fully coordinated; this resulted in lack of clear policy and an agricultural development strategy during this period of the project.

From the beginning, IFDC undertook rapid assessments of the supply and demand for agricultural inputs and the capacity and requirements for processing wheat, feed, and seed. In addition to using its staff and experts, the project engaged professors and students from the agricultural department of the local university for the surveys. Throughout the project, critical information was analyzed and prognoses shared on a timely basis with UNMIK, FAO, and donors to enable them to better understand the situation. A list of reports is attached.

Project leaders participated in regular donor/NGO coordination meetings and offered advice on the range of issues affecting availability of agri-inputs and processed cereals. KEAP worked closely with agribusinesses in forming the trade associations and was therefore in a unique position to convey the private sector perspective to the UN and donor representatives.

Project work determined that a local distribution capacity and customer base existed for agri-inputs and flour and feed milling. IFDC argued that the private sector should be encouraged and harnessed by using market channels for aid. The gaps in commercial supplies and financing requirements were identified and solutions proposed, including a revolving fund for importers of agricultural inputs.

In its first month of operation, the project presented the case to UNMIK that its combined tariff and sales tax of 26.5% on fertilizer, compared to free entry for donated shipments, served as a disincentive and was creating a significant net loss to the society. IFDC also raised problems such as the need to stop illegal, "embargo-breaking" and substandard imports of agri-inputs and to import wheat instead of flour to activate local mills.

The World Bank and others were also making the same economic cases against the border tax on fertilizer, all without success. Starved for operating revenue to run a government, UNMIK has few options for taxation and is reluctant to give up

an established one. In retrospect, the project should have devoted more timely effort to tackling such policy issues.

Trade associations are important vehicles for effecting policy reform. Among its top priorities, KODAA plans to lobby the authorities to reduce taxes on fertilizer. In May, the KODAA Board developed a plan for an orchestrated campaign to oppose the fertilizer tax. KEAP is guiding them on economic arguments and analysis and effective advocacy.

Drawing on the project's substantial baseline data and on key reports by others on the Kosovar agricultural sector, KEAP addressed priority policy issues for agriculture, e.g., new market directions, ways to measure improvement in the business climate, trade expansion, conversion of commodity aid to revolving credit, and implications for Kosovo's integration into the EU. The recommendations are useful in shaping the policy agenda of the follow-on USAID/IFDC project.

While KEAP's forays into the policy arena were more limited and less effective than hoped during the period, the project leadership was successful in influencing policy directions for the future. Success of the project in organizing private sector networks, thus reinforcing the soundness of the similar strategy developed by IFDC for Albania, helped convince the UNMIK/EU consortium in charge of agricultural reconstruction to incorporate and support private sector agri-input dealers in its next phase of investment. The documents cite IFDC project work and adopt policy approaches sought by USAID.

Market Information and Technology Transfer

Kosovar farmers and agribusinessmen have been isolated from world markets and modern technology and practices for over a decade. On an emergency basis, KEAP provided critical commercial information to agri-input importers and dealers and laid the groundwork for evolving new and improved systems. Although highly mechanized, Kosovo's agricultural productivity is low due to inadequate fertilizer use, outdated plant varieties and equipment, and lack of access to improved techniques. There is also no quality control system for seeds, fertilizer, and CPCs.

IFDC demonstrated in Albania a rapid, effective, and sustainable way to promote the adoption of economically viable technology to farmers by using the agri-input dealer network. Thus, KEAP took the first steps in encouraging private sector extension services and technology transfer demonstrations. An estimated 60% of the 168 KODAA members are agronomists, and most of the rest have secondary level technical education in agriculture. With training in extension methodology, the dealers will constitute a cost- effective mechanism to bring about change and will complement government-supported programs that may emerge.

Although not required under the terms of the grant, IFDC became involved in technology transfer to farmers to stimulate demand for inputs and introduce new

products. With collaboration from the U.S.-based Pioneer Seed Company, KODAA dealers, farmers, and local university experts, the project established two demonstration sites in May to test new varieties of maize, potatoes, and beans. The farmer in Gjakova who offered the use of his field for the demonstration remarked that the farmers are very excited because this is the first time ever that new variety trials have been held in the area and probably outside the confines of the former government institutions.

The project staff, with help from the agricultural college in Pristina, distributed through the media weekly agricultural retail price surveys to assist commercial importers and donors. KEAP presents a weekly radio program on agricultural technology. The project has been instrumental in establishing a weekly special agricultural supplement with news, features, and advertising that is published by a major newspaper. Project activities and messages are provided regularly in the press as a means of advancing KEAP objectives.

Promoting regional and international market linkages was another goal of the project. An expert on procurement provided training and advice to importers and project staff. The technical assistance and information generated purchases of fertilizer and seed to help fill the commercial gap in agri-inputs. KODAA arranged a presentation by an overseas greenhouse construction company that sees good prospects if it can obtain export credit.

A project team is planning a trip to Austria to arrange for the grant and transport of used farm machinery. A 13-person delegation organized by the project leader plans to proceed to Vienna in July at the invitation of the Pioneer Seed Company.

The Future

The emergency humanitarian crisis in Kosovo is ending, but the challenge of developing an economically sustainable agricultural sector is just beginning. Kosovo faces many constraints and issues, some of which will take years to resolve. It is clear that agriculture and agribusiness hold good potential for growth and are vital to economic reconstruction and general welfare of the population.

Prior to the conflict, agriculture accounted for 30% of GDP; it now provides over 50%. About 120,000 small family farms of 3 ha or less are attempting to produce food for an estimated 1.2 million rural inhabitants. Over half of the 1.1 million ha of land in Kosovo is suitable for crops and livestock. Three-fourths of the cultivated area is planted in cereals. More than 85% of the farmland is privately owned. The larger state farms and cooperatives that account for the rest of the area are run down and inactive.

With access to a favorable policy and institutional framework, capital, appropriate technology, efficient marketing systems, and improved infrastructure

such as irrigation and roads, Kosovo has great potential to diversify crops, add value to production, and generate rural employment. There is a ready market to substitute for imported food products and thus hone capabilities for niche market exports in the future.

Many constraints and issues need to be addressed on a priority basis. They will require significant commitment, donor resources, and private investment capital. Focal points include:

- Policy and service institutions, including taxation, banking, and privatization.
- Increasing demand for modern inputs to increase yields and crop diversification.
- Effective trade associations to provide valuable services to members and farmers.
- Trade and regulatory regimes to promote market integration and quality products.
- Financial institutions that stimulate credit and investment to agribusiness.

The KEAP work with trade association and related activities including policy and technology transfer has helped set the stage for the long and arduous journey ahead. USAID has approved a 2-year, $3.87 million grant to IFDC for a new project called Kosovo Agribusiness Development Program (KADP) to move ahead on some of the issues. This new project would aim to:

- Spur market-oriented trade, tax, and regulatory policies that will help promote the growth of agribusiness and regional marketing.
- Develop financially sustainable and effective trade associations that will form an institutional basis for delivery of assistance by the program.
- Establish linkages with agribusiness and local experts to develop private sector extension services and encourage adoption of improved technologies.
- Help selected private agro-processing enterprises through targeted business and marketing support and encourage diversified and value-added production.
- Facilitate access to credit and investment for agribusiness firms through a process of training, counseling, and monitoring.

Conclusion

KEAP accomplished its emergency objectives of assessing agri-input requirements and organizing a private sector supply network, despite the many challenges arising from the disruption and humanitarian crisis in Kosovo. The project exceeded expectations in critical endeavors, such as trade association development and technology transfer. It was less successful than hoped in other

areas, such as in changing policies and practices that work as disincentives to commercial markets and sustainable agricultural development.

The legacy of KEAP is that it served, in the words of a USAID official, as a "beacon for private sector led activities in Kosovo" and set the stage for a rapid mobilization of market-oriented and sustainable agri-input and agro-processing industries. Key to success of the project was its solid rooting and confidence in the private sector. Perhaps uniquely among the many donor efforts in agriculture during the emergency phase, KEAP aimed at using the ground zero to plant the seeds for enduring systems.

Other donors, NGOs, and the UNMIK/EU authorities have recognized the impact of KEAP, as demonstrated in their frequent calls on the project staff, references in planning documents, adoption of the KEAP approach in the next phases of reconstruction, and growing interest in collaborating with IFDC on agribusiness development. This is testimony to the wisdom of USAID and to the project design and implementation.

Resources will be required to maintain the momentum generated and to help relaunch the agricultural sector on a market-signal response basis that capitalizes on the inherent entrepreneurial drive of Kosovars. The three trade associations now established and others in the wings can play vital roles in advocating policy change, stimulating access to credit, providing extension services, improving business and technical skills, and expanding regional trade contacts.

Due to funding constraints, the new project will not be able to cover some critical fields, such as providing in-depth business planning services to association members to help them expand and to demonstrate the concrete advantages to membership and developing seed production and a related trade association. IFDC will explore other avenues to leverage project funds to respond to those and other relevant needs, such as it did with CORDAID to gain credit for agri-input dealers.

The trade association members are excited about the opportunity to collaborate and compete among themselves and are optimistic about the prospects in agriculture. They are moving rapidly with their own family resources and donor aid to take advantage of market opportunities in improved agri-inputs, maize, potato, and egg production.

As one KODAA dealer remarked, "We will accomplish in less than 2 years what it took Albania 8 years to achieve." Together with USAID and many others, IFDC looks forward to helping realize that prediction.

Attachment—List of Project Reports

Monthly Project Progress Reports submitted to USAID.

Rapid assessment of needs in 17 rural districts (11/99).

Needs Assessment and Project Work Plan (11/27/99).

Paper on "Import Tariffs and Taxes on Agri-inputs in Kosovo" (11/28/99).

Reports on import values of fertilizer and seed for spring planting (Dec. and monthly).

Rapid Assessment of 50 Operational Flour Mills; Transition to Wheat Milling (12/13/99).

"Analysis of Working Capital Available for Agri-inputs in Kosovo" (12/17/99).

Rapid assessment of 18 feed mills (January 2000).

Wheat production situation report and projected yields (January 2000).

Seed System Concept Paper (draft) (2/2/00).

Concept paper on emergency provision of fertilizer to address spring shortfall and medium-term program to establish revolving credit for agri-input importers (2/24/99).

Recommendations on international procurement of agri-inputs (March 2000).

Assessment of PROGRESI state-owned food processing enterprise (March 2000).

Input for the agricultural situation report (3/28/00).

"Agro-Processing Assessment and Program Recommendations for Kosovo" (April 2000).

Recommendations on Association Development and Training Framework (April 2000).

Contribution to UNMIK/EU "Public Reconstruction Investment Programme 2000 - Agriculture" (April 2000).

Agri-inputs Prognosis for Spring 2000 (April 2000).

Study on priority policy issues for agribusiness development in Kosovo (May 2000).