

**An Economic Impact Assessment of the USAID/IFDC
Assistance to Albanian Agricultural Trade Associations (AAATA)**

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Acronyms and Abbreviations

AAATA	Assistance to Albanian Agricultural Trade Associations
ABA	American Bank of Albania
ABMC	Association Business and Management Center
ACG	Agribusiness Consulting Group
ADAMA	Albanian Dairy and Meat Association
AEs	Agribusiness enterprises
AFADA	Albanian Fertilizer and Agro-Input Dealers Association
AFPA	Albanian Fishery Professional Association
ALBAFLOR	Medicinal Herbs Association
AMPA	Albanian Meat Processors Association
ANSPA	Potato Seed Association
AOA	Alimentary Oil Association
APFA	Albanian Poultry Farmers Association
ATAs	Agribusiness Trade Associations
AVALB	Albanian Agricultural Mechanization Association
BKFSH	National Albanian Farmers Union
CPPs	crop protection products
CU	credit union
FF	Seed and Seedling Association
GDP	gross domestic product
GOA	Government of Albania
ha	hectare
HABA	Horticultural Albanian Businessmen's Association
IRR	internal rates of return
KASH	Federation of Agricultural Trade Associations
KEA	Agribusiness Expert Council
LEAA	Dairy Production Association
LOL	Land O'Lakes
NPV	net present values
PSES	Private Sector Extension Services
RAFS	Restructuring Albania Fertilizer Subsector
SRAFS	Sustaining the Restructured Albania Fertilizer Subsector
TA	technical assistance
USAID	United States Agency for International Development
V/C	value/cost
WMA	Willow Management Association

An Economic Impact Assessment of the USAID/IFDC Assistance to Albanian Agricultural Trade Associations (AAATA)

Executive Brief and Summary

Background and Objectives

Economic and social indicators show that Albania is the least developed country in Europe. However, during the mid and late 1990s the economy experienced one of the fastest rates of growth among the economies of countries in transition. With the exception of 1997, when the collapse of the pyramid schemes caused serious adverse distortions, the economy of Albania has grown at the rapid rate of at least 7% annually during 1993-2000. The agricultural sector in Albania provides employment to over 750,000 people, has experienced a rate of growth greater than in other transition economies, and has also undergone a rapid process of privatization. Productive activities in the agricultural sector and agribusiness subsector are now essentially in the hands of the private sector.

The economy of Albania has undertaken drastic structural transformations since the beginning of the transition process in 1990. As a result of changes in the agricultural sector, livestock production increased by more than 80% between 1989 and 1999 and is now more important than it was before the transition period. During the same period (1989-99) crop production increased by only 7% and, as a percent of total agricultural production, declined from about 58% to 50%. Crops that have an increasingly important role in the new structure of agricultural production are maize and alfalfa produced for poultry and livestock feed, and vegetable production to meet a rapidly increasing domestic demand.

During the transition, Albania benefited from the technical and financial support of international donors and development agencies to promote the rapid development of a private sector that, in response to market-driven demands of producers and consumers, can efficiently conduct the distribution of commodities and services previously undertaken by state institutions in a centrally planned economy. The United States Agency for International Development (USAID) has played a significant role in facilitating and expediting this process of transition.

On the basis of well-identified priorities of requirements for assistance to Albania, in 1992 USAID began supporting a series of projects that have been successfully implemented by IFDC for more than a decade. The development and implementation of these projects was initiated in late 1991 and early 1992 with the identification of the lack of fertilizer procurement and supply to farmers as one of the key constraints to crop production in 1991/92. The implementation of these projects, initiated in late 1991 with an expert consultancy and baseline assessment, has evolved into a thriving program and become a model of a successful approach to institutional development and capacity building with active participation of the private sector. This approach is based on the specification of clear goals and well-defined objectives and the implementation of activities in a flexible manner to rapidly adjust to changing circumstances and benefit from emerging opportunities.

The rationale for the implementation of the overall USAID/IFDC program of assistance to Albania is based on the building of institutional capacity through the development of sustainable Agribusiness Trade Associations (ATAs) as instruments of change and innovation to promote: (1) the profitability and growth of agribusiness enterprise members of the ATAs, (2) the growth and success of ATAs in becoming financially self-supporting and sustainable institutions, (3) the empowering of farmers and agribusiness to influence the decision-making process associated with the design and enactment of public policies affecting agricultural and agribusiness enterprises, and (4) the development of the human resource base and indigenous technical and entrepreneurial expertise.

Phases of Implementation

The main focus of the Initial Phase (1992-98) of the USAID/IFDC program of assistance to Albania was the restructuring and development of Albania's fertilizer subsector through capacity building in (1) private sector institutions, namely the Albanian Fertilizer and Agro-Inputs Dealers Association (AFADA) and (2) public sector institutions, such as the Statistical Service Directorate in the Ministry of Agriculture, to enhance their capabilities in assisting farming and agribusiness enterprises. This assistance significantly improved the capability of agribusiness to overcome financial and technical constraints.

During this initial phase of support to the development of a sustainable restructured fertilizer subsector in Albania (1992-98), farmers, agribusinesses and the economy as a whole benefited as a result of increased economic returns, employment, profits, and incomes. In this phase, the focus of the USAID/IFDC program of assistance to Albania was limited mainly to improvements in the supply of agro-inputs. Positive impacts of the program interventions on the productivity of farming and agribusiness enterprises resulted in benefits to farmers and agribusiness, and, indirectly, to consumers of agricultural products, the labor force, and the country's economy.

The success of AFADA in the development of an efficient supply of agricultural inputs implemented with the active participation of the private sector stimulated the emergence of opportunities that expedited the establishment of additional ATAs. In response to the emergence of those opportunities, the main focus of the program was shifted towards the development of ATAs and agricultural and agribusiness enterprises involved in the production, marketing, and processing of agricultural outputs. The rapid establishment of these new ATAs and their associated new needs and opportunities for development assistance provided the rationale for USAID/IFDC support and involvement in the project Assistance to Albanian Agricultural Trade Associations (AAATA), Phase One (1999-2001), and Phase Two (2002/03).

In Phase One of the AAATA project (1999-2001), the initial focus was on small- to medium- scale processing enterprises for grain, poultry and livestock, edible oil, and horticulture industries. During this 3-year phase, the project was successful in increasing the membership, services, and financial soundness of the initially seven, and later, eight trade associations targeted by the project. These ATAs comprise the production and processing of (1) commercial horticultural products including greenhouses; (2) poultry, eggs, and feed milling; (3) olive and other edible oil; (4) meat products; (5) potato seed; (6) fish; (7) flour milling and wheat; and (8) agricultural equipment and processing machinery. Also, in Phase One of the project, the Federation of Agricultural Trade Associations (KASH), the Agribusiness Expert Council (KEA), and the Association Business and Management Center (ABMC) were established.

During Phase Two of the AAATA project (2002/03), the focus and emphasis shifted more toward institutional strengthening of the ATAs to enhance the long-term viability and

sustainability of the associations. In this phase, increased emphasis is given to (1) strengthening the role and operational effectiveness of KASH, the ABMC, and the KEA; (2) developing of credit union associations and Private Sector Extension Services (PSES); and (3) improving the effectiveness of the National Albanian Farmers Union (BKFSH) in addressing farmers' concerns on the economy and the consequences of policies affecting farm production. During this phase, special attention is given to the establishment of a sound foundation to facilitate and energize the development of agribusiness clusters and commodity value chains in the following four key subsectors: (1) the horticultural subsector including the production of greenhouse vegetables and open field fruit and vegetable production and processing; (2) the poultry subsector involving the production and processing of broilers and eggs; (3) the production/processing of olive and other edible oils; and (4) agribusiness clusters associated with the industry of spices and herbal products, members of the Albanian Spice and Herbal Products Association.

Impacts and Benefits

The most important measurable impacts and benefits of the overall USAID/IFDC program of Assistance to Albania and of the most recent AAATA project are described here.

1. In the early to mid 1990s the USAID/IFDC program of assistance to Albania initially impacted the growth of ATAs mainly through the rapid increase in the membership of AFADA. This was as a result of the impressive success of the program in introducing and energizing the active participation of the private sector in the procurement, distribution, and retailing of fertilizers. Since 1996 the success of AFADA contributed significantly to the establishment of new ATAs and the rapid growth in their membership. Between 1996 and 2003 the membership of agribusinesses and farmers in associations increased more than four-fold. In the agribusiness associations, membership increased from 485 members in 1996 to 2,278 in 2003, and in the farmers association, from about 1,700 members in 1996 to 7,000 in 2003. Thus, the overall USAID/IFDC program, and more recently, the AAATA project have had a remarkable positive impact on the growth and influence that the ATAs have as institutions of change and innovation in Albania.
2. Apex and supporting organizations were established to enhance advocacy and to boost the benefits of the increased influence of the ATAs. In regard to advocacy efforts, KASH includes 18 agricultural trade associations that joined together to exert greater influence in the policy decision-making process of the Government of Albania (GOA). The ABMC was

established by the project to provide support to agribusiness development in Albania. The ABMC incorporated the Agribusiness Consulting Group (ACG) and has developed a roster of experts in project management, proposal development, and in the provision of technical assistance to agribusiness clients. ABMC is working to establish pre-eminence in local agriculture technical assistance and also is reaching out to financially strong investors interested in agriculture. The Agribusiness Expert Council (KEA) was established and legally registered in March 2002. KEA may play an important supporting role in the future development and growth of the agribusiness subsector and the agriculture of Albania.

3. The AAATA project has also contributed significantly to the establishment of Credit Unions that are based on the ATAs members, their families, and communities. The AFADA Credit Union (CU) continues to be the largest CU in Albania having more than \$150,000 in funds to be lent. In addition, the AAATA project has fully established two other CUs based on trade associations: the Potato Seed Association (ANSPA) CU with 208 members and the Horticultural Albanian Businessmen's Association (HABA) CU with 148 members.
4. The impact of the project in relaxing financial constraints is well demonstrated by the amounts of credit provided to agribusiness enterprises targeted by the project (critical clients) in the form of loans mainly to conduct trade transactions, and supplement working capital requirements. Occasionally, some of these loans were also used to supplement the use of their own financial resources to invest in capital assets (capital investments). Between 1999 and 2003, assistance provided by the AAATA project facilitated access to credit for more than US \$13 million to agribusiness enterprises (Table 2.3). Agribusiness industry clusters that in recent years received most financial resources through credit facilitated by the project were (a) poultry with over US \$4 million; (b) meat processing with US \$2.9 million; (c) horticulture, including greenhouses, with about US \$1.8 million; and (d) the olive oil cluster with US \$1.76 million. In addition, during Phase One of the AAATA project, industry clusters of dairy production and processing, and flour milling and wheat also were important beneficiaries of the credit facilitation efforts of the project.
5. Between 1999 and 2003, the total cumulative impact of the project on agribusiness capital investments in Albania amounted approximately to US \$21.8 million (Table 2.4). The industries that have implemented a larger proportion of these investments are (a) poultry with about US \$8.9 million, (b) flour milling and wheat with US \$4.3 million, (c) horticulture with US \$2.7 million, and, (d) olive oil and (e) meat processing with about US \$2.0 million each.

These program results also show the shift in emphasis given by the project in recent years (2001-2003) to agribusiness enterprises in the poultry, horticulture, and olive oil industry clusters. The importance of the AAATA impact on capital investments by agribusiness enterprises is demonstrated by the fact that successful capital investments engender a flow of economic activity and benefits over the lifespan of the capital asset. Thus the economic and social benefits of the AAATA project in Albania will occur for a number of years well after the project is officially concluded in 2003. In evaluating this type of project it is important to conduct an assessment that is based in time periods that are suitable to capture the complete stream of benefits and costs associated with the capital investments induced by the project.

6. Estimates of the impact of the project on the flow of sales revenues and profits are derived from the flow of the capital investments described above. Conservative lower-bound estimates of the sales revenues and profits associated with the flow of capital investments induced by the AAATA project during 2000-2008 are expected to amount to more than US \$106 million in sales revenues and more than US \$23.4 million in profits (Table 2.5). A sensitivity analysis conducted to evaluate the possible effect of lower estimates of impact on sales revenues clearly indicates that, even if the estimated impact on sales revenues were 30% lower than estimated, the cumulative impact (2000 to 2008) on sales would still be about US \$74.7 million, and on profits, approximately US \$16.4 million (Table 2.6). Thus, even at these greatly reduced levels of impact on sales revenues, the overall flow of benefits of the AAATA project on sales revenues and profits is very significant and quite substantial with respect to the size of the Albanian economy.
7. Estimates of the impact of the project on employment were derived from the capital investments and sales revenues and show that a total of 4,761 person-years of employment will be provided to the Albanian labor force during 2000-2008 (Table 2.7). If a more liberal (and probably more realistic) assumption about the increase in annual sales revenues is needed to trigger the hiring of an additional worker, then the estimated impact of the AAATA project on employment will increase to 6,896 person-years during 2000-2008. In addition, more than 300 persons received formal training in a diversity of skills and expertise that are needed to improve the effectiveness, profitability and growth of agribusiness enterprises in the targeted ATAs. Returns to investments in human capital through formal and informal on-the-job training occur over the lifespan of the persons receiving the training. These are usually higher when the economy is growing. There is a need for well-trained

personnel to facilitate the rapid transfer and adoption of improved technology that is occurring in Albania.

8. There is clear evidence and well-documented examples of impact on exports conducted by AAATA clients. These examples involve the export of important quantities of fresh tomato and watermelon, frozen vegetables, eggs, roasted peppers, ketchup, and canned products to countries such as Kosovo, Germany, Croatia, and Greece. Vegetables and poultry products are apparently the main products that are being exported as a result of the AAATA project interventions. Incomplete data of the project impact on exports show that quantities of these products with values of about US \$1.7 and 1.2 million were exported in 2001 and 2002. In 2003, products with a value of more than US \$0.6 million, including US \$384,000 of herbs and spices to the United States, have been or are currently in the process of being exported. In addition, there is evidence that increases in the domestic production of vegetables associated with productivity improvements have reduced the importation of some vegetable products. The limited information and observations on the export promotion and import substitution that are associated with the impacts of the project on agribusiness development, indicate that the AAATA project has improved the annual balance of trade of Albania by several millions of US dollars.
9. The program efforts in establishing AFADA and in assisting fertilizer dealers and importers to develop efficient agribusiness enterprises contributed significantly to the rapid growth in the use of fertilizers, improved seeds, and crop protection products (CPPs) by farmers (Table 2.8). Estimates of the increases in crop yields calculated using data from a sample of farmers in 1999 show that, on average, yields of wheat and maize increased by 53% and 70%, respectively, and that the yields of alfalfa doubled as a result of improved technology. However, average yields of these crops for the country in 1999 did not experience the same levels of increase as those observed in the sample.
10. To assess project impact, a simple procedure was used to estimate the benefits associated with the increased use of fertilizer, improved seeds, and CPPs by farmers. On the basis of average value/cost ratios associated with fertilizer use and the cost of fertilizer, the flow of net benefits of the project (to farmers) in terms of increased economic returns to the farmers' land and fixed factors of production for 1992 to 1999 are estimated to fluctuate from US \$1.65 million in 1992 to about US \$9.5 million in 1998 (Table 2.9). These estimates conservatively assume that only 25% of the benefits of improved technology to farmers can

be attributed to the efforts of the program. In addition, a profit margin of 10% on the sales revenues of the AFADA dealers is used to estimate the flow of benefits to these agribusinesses. These benefits fluctuate from US \$330,000 in 1992 to US \$1.9 million in 1998 (Table 2.9).

11. Benefit-cost analyses of the investment in the AAATA project were conducted to evaluate this investment as an additional but independent investment from those occurring before 1999 as part of the USAID/IFDC program of assistance to Albania. Results of these analyses for four different scenarios of investment impacts on sales (as is estimated and 10%, 20%, and 30% lower than is estimated) show that net present values (NPV) calculated using an annual rate of discount of 12% are all positive and significant. The results range from a NPV of US \$4.47 million for Scenario 1, when the estimated effect of the project on sales revenues and profits is unchanged, to a NPV of US \$312,500 for Scenario 4, when the estimated impact of the project on sales and profits is 30% lower than estimated (Table 3.1). This means that after accounting for annual returns of 12% to the funds invested by USAID in the project, there are still substantial positive surplus benefits measured in US dollars that are in fact the net present values (NPV) calculated for the project scenarios.
12. A benefit cost analysis conducted to assess the economic effectiveness of the investment by USAID in the overall 1992-2003 USAID/IFDC program of assistance to Albania shows that all NPVs calculated using an annual rate of discount of 12% are positive and quite substantial ranging from a NPV of about US \$7.25 million for Scenario 1, when the estimated effect of the AAATA project on sales revenues and profits is unchanged, to a NPV of about US \$5.37 million for Scenario 4, when the estimated impact of the AAATA project on sales and profits is 30% lower than estimated (Table 3.2). This analysis allows for a more comprehensive and, probably, more realistic evaluation and assessment of investments in development assistance programs that are implemented and provide benefits over a mid- to long-term time period. It should be noted that these very positive results are obtained even when a very conservative criterion is used to calculate the economic benefits of the program and therefore lower-bound estimates of benefits are actually used in these analyses.
13. A key benefit of the AAATA project has been to establish an effective institutional foundation and base to improve the competitiveness of Albanian agribusiness enterprises in domestic and export markets. This is an important contribution of the project to future efforts

and programs designed to accelerate and expand the entry and participation of Albanian agricultural and manufactured exports into global markets.

Implications for Development Assistance Programs

The following observations and implications for development assistance programs are made on the basis of the lessons learned and experiences gained in the implementation of the USAID/IFDC program of assistance to Albania:

- Development assistance programs to promote and accelerate the transition of centrally planned economies to market-driven economies should be based in clear and well-defined goals and objectives to be achieved through flexible project implementation approaches that allow for rapid adjustments to changing circumstances and emerging opportunities. In this process special attention should be given to the role of local entrepreneurs and enterprises.
- Assistance for institutional development and capacity building involving the development of agribusiness trade associations as key sources of change and innovation can be a very successful approach to facilitate agribusiness and economic development in economies in transition in particular and developing countries in general. It is important to recognize, however, that the success (or failure) of this approach is significantly affected by the socioeconomic, cultural, and geopolitical circumstances that are present in a country at the time the project implementation is initiated.
- Because human resource development is an inherited component of institutional development and capacity building, investments in training and human capital should be included as explicit components of development assistance programs in this type of project.
- Long-term efforts of support (8-10 years) by international donors and development agencies should be considered for the successful implementation of institutional development and capacity building projects.
- Specific activities of monitoring and evaluation should be included as components of these projects to document successes, identify shortcomings, and facilitate adjustments and changes in the emphasis of project implementation.

An Economic Impact Assessment of the USAID/IFDC Assistance to Albanian Agricultural Trade Associations (AAATA)

Background and Program Rationale

Economic and social indicators clearly show that Albania is the poorest and least developed country in Europe. Agriculture has been and still is the most important sector of Albania's economy contributing more than 50% to the gross domestic product (GDP) and to the employment of the population. As a country undergoing a rapid transition from a rigorously centrally planned economy to a market-driven economy, Albania in general, and the agricultural sector in particular, have experienced drastic transformations and confronted difficult developmental challenges since the initiation of transition in 1991. During this transition, substantial technical and financial assistance has been required to support the urgent need for and development of a private sector that, in response to market-driven demands of producers and consumers, can efficiently conduct the supply and distribution of commodities and services previously undertaken by state institutions in a centrally planned economy.

International donors and agencies have provided considerable assistance to Albania to support efforts to relax and overcome technical and financial constraints to the development of an efficient and dynamic private sector. In these efforts, particular attention has been given to institutional capacity building and investments in physical and financial infrastructures that are essential for the successful transition of Albania to a market oriented economy.

In 1992, on the basis of properly identified needs for assistance, USAID initiated support and funding to a sequence of projects that have been successfully developed and implemented by IFDC for more than a decade. The development and implementation of these projects was initiated with an expert consultancy and a baseline assessment in late 1991 and early 1992, and had evolved into a successful program and approach to institutional capacity building with active participation of the private sector. This approach involves the flexible implementation of activities that rapidly adapt to changing circumstances. Often unexpected challenges and opportunities emerge as innovations are introduced and technical, financial, and institutional

constraints are removed in the context of an economy in transition. The overall USAID/IFDC program rationale is therefore based on the building of institutional capacity through the development of sustainable ATAs as instruments of change to promote: (1) the profitability and growth of agribusiness enterprises of members of the ATAs; (2) the growth and success of ATAs in becoming financially self-supporting and sustainable institutions; (3) the empowering of farmers and agribusiness to influence the decision-making process associated with the design and enactment of public policies affecting agricultural and agribusiness enterprises; and (4) the development of the human resource base and indigenous technical and entrepreneurial expertise.

The Agricultural Sector

In the mid to late 1990s, Albania's economy experienced one of the fastest rates of growth among the economies of countries in transition. With the exception of 1997 when the collapse of the pyramid schemes caused serious adverse distortions, the economy of Albania has grown at the rapid rate of at least 7% annually during 1993-2000. The agricultural sector accounts for an important share of the GDP (about 52% in 2000) and has contributed significantly to the rapid growth of the economy. This sector provides employment to over 750,000 people, has experienced a rate of growth greater than in other transition economies, and has also undergone a rapid process of privatization. The promotion of agricultural sector development is, therefore, an important priority for the Government of Albania (GOA).

Albania's economy has undertaken drastic structural transformations since the beginning of the transition process in 1990. Because of the collapse of the industrial sector and the continuous growth in agricultural production, the relative contributions of the agricultural sector to GDP and to the employment of the labor force have increased substantially. Activities in the agricultural sector and agribusiness subsector are now essentially in the hands of the private sector.

As a result of changes in the agricultural sector, livestock production increased by more than 80% between 1989 and 1999 and is now more important than it was before the transition period. During the same period (1989-99) crop production increased by only 7% and, as a percent of total agricultural production, declined from about 58% to 50%. Crops that have found an increasingly important role in a new more diversified agricultural production structure are

maize and alfalfa produced for poultry and livestock feed, and vegetable production to meet a rapidly increasing domestic demand. Growth in the demand for and production of poultry, livestock, maize, alfalfa, and vegetables are partially explained by changes in consumption patterns associated with rising incomes.

Despite adjustments in the agricultural sector in recent years, at least 50% of the GDP and more than 60% of the labor employment in Albania still depend on the economic activity and success of a broadly defined agricultural sector that includes farmers and agribusiness enterprises. With a total land area of about 2.8 million hectares (ha), only about 700,000 ha of land in Albania is arable land. At a rate of about 0.2 ha of land per capita, the very limited availability of land and its highly fragmented distribution are serious constraints to improvements in agricultural production and productivity.

Agriculture is conducted on arable land in three main geographic areas: the coastal plains (44%), the hilly areas (37%), and the mountainous areas (19%). The cultivation of small fragmented holdings contributes to the practice of subsistence agriculture by most farmers who mainly cultivate wheat and vegetables for home consumption and sell very small surpluses in the market. A 1999 World Bank study shows a drastic decline in marketed surpluses of agricultural products and an increased dependence of urban consumers on imports to meet their requirements for agricultural products such as flour, vegetable oils, sugar, and meat products.

The lack of proper financial, physical, and institutional infrastructure and capabilities are serious constraints to market development and growth in the agricultural sector. The establishment of efficient agribusiness enterprises to process agricultural outputs and realize the benefits of Albania's comparative advantages in the production of labor-intensive high value products is critical for the development of export markets. The creation and growth of export markets are essential to expand the market for agricultural products well beyond domestic demand and increase the growth and productivity of the agricultural sector.

Project Rationale

The socioeconomic and political circumstances and the constraints to agricultural and economic development in Albania in 1991 provided a very sound basis for USAID to support

and fund a program to facilitate the development of an effective agribusiness subsector. This occurred with the direct participation of private sector entrepreneurs. The early identification of the lack of fertilizer procurement and supply to farmers was one of the key constraints to crop production in 1991/92. This motivated the implementation of a baseline assessment of the agro-inputs supply situation in Albania at the beginning of the transition process. The sequence of USAID/IFDC projects implemented in Albania during 1991-2003 is presented and briefly described in terms of their main focuses and outcomes in Table 1.1. This shows that the timely evaluation of financial, technical, and institutional aspects of fertilizer production, procurement, distribution, and use at the beginning of 1992 allowed the identification of critical constraints to agricultural production. Recognition of the immediate need to overcome these constraints as a necessary condition to prevent drastic declines in crop yields and agricultural production and social instability provided a sound basis and rationale for the funding and implementation of projects in the following years. Initially (1992-98), these projects focused mainly on the development of private sector agribusinesses to import, distribute, and retail fertilizers, seeds, and CPPs to efficiently supply these critical agro-inputs to farmers on a timely basis at the lowest possible prices.

The main focus of the initial phase (1992-98) was therefore the restructuring and development of Albania's fertilizer subsector through capacity building in: (1) private sector institutions, namely AFADA, and (2) public sector institutions, such as the Statistical Service Directorate in the Ministry of Agriculture, to enhance their capabilities and contributions to the economic efficiency and profitability of farming and agribusiness enterprises. Assistance provided by all these projects through institutional capacity building and human resource development has had a direct impact on the capability of agribusiness to overcome financial and technical constraints. Significant improvements were achieved in: (1) access to credit and capital investment; (2) access to information and knowledge on technical, economic, and entrepreneurial aspects associated with the successful management of agricultural and agribusiness enterprises and institutions; and (3) the participation of agribusiness entrepreneurs in the policy decision-making process and their influence in the development and enactment of policies that affect agricultural and agribusiness enterprises.

Table 1.1. USAID/IFDC Development Assistance Projects to Albania, 1991-2003

Dates	Project Titles	Grant Amount	Main Focus/Outcomes of Projects
		(US \$)	
Sept. 18, 1991 to Oct. 30, 1991	Expert Consultancy	24,700	<ul style="list-style-type: none"> Lack of fertilizer procurement and supply identified as one of the key constraints to agricultural production in 1991-92.
Dec. 10, 1991 to Mar. 10, 1992	Baseline-Assessment	200,000	<ul style="list-style-type: none"> Evaluation of financial, technical, and institutional aspects of fertilizer production, distribution, marketing, and use. Basis for development of private sector fertilizer supply system explored.
Mar. 6, 1992 to Mar. 23, 1993	Bridging Grant	1,700,000	<ul style="list-style-type: none"> Facilitate procurement and distribution of fertilizers through imports, auctions, training of private sector dealers, and access to transportation, information, and credit. Establishment of AFADA in 1993 as a Trade Association that includes the major importers and dealers of agro-inputs in Albania. Supply of fertilizers and CPPs conducted by private sector with more efficient pricing and marketing policies. System to collect and disseminate marketing information developed and transferred to Statistical Service Directorate, Minister of Agriculture and Food.
Mar. 6, 1992 to Mar. 23, 1993	Truck Procurement	2,250,000	
Mar. 6, 1992 to Mar. 23, 1993	Fertilizer Procurement	8,700,000	
Jan. 1, 1993 to Dec. 31, 1994	Restructuring Albania Fertilizer Subsector (RAFS)	4,316,530	<ul style="list-style-type: none"> AFADA formally established in March 1993 reached a membership of 154 in 1995 and includes all major suppliers of agro-inputs. Publication of Newsletter "Biznesi Bujqesor" with a circulation of 3000 in Albanian and 500 in English for dissemination of agro-economic information and advice.
Jan. 1, 1995 to Sept. 31, 1995	Restructuring Albania Fertilizer Subsector (RAFS)	1,299,250	
Oct. 1, 1995 to Sept. 31, 1999	Sustaining the Restructured Albania Fertilizer Subsector (SRAFS)	8,625,790	<ul style="list-style-type: none"> Training for agro-inputs importers and dealers and assistance to facilitate access to credit. Strengthening AFADA effectiveness and financial sustainability. Assist development of seed and CPPs subsectors with private sector participation. Identification and transfer of improved technology to farmers to increase yields and incomes. Improving policies for agro-inputs, including regulatory system and market information system. Success of AFADA and efforts of other USAID supported projects stimulated formation of 10 additional agricultural associations. Access to \$17 million in credit to AFADA members to finance input supply --74% of agro-inputs imports were self-financed by dealers.

Dates	Project Titles	Grant Amount	Main Focus/Outcomes of Projects
		(US \$)	
January 1, 1999 to Dec. 31, 2001	Assistance to Albanian Agricultural Trade Association (AAATA) Phase One	6,282,000	<ul style="list-style-type: none"> • Association Development: focus on ATAs with greatest potential of impact and sustainability. • Agribusiness Development: focus on small- to medium-scale processing enterprises for grain, livestock, milk, edible oil, and horticultural industries. • Financial Support Services: Association-level assistance in feasibility and business planning studies, credit facilitation and financial counseling, credit monitoring, credit and finance training, and access to external credit facilities. • Credit Union Development: for agribusiness owners, families and communities, through credit union formation, institutional development, policy improvement, savings mobilization, credit administration, and training. • Support Services: to promote/improve GOA services to agro-processing, technical assistance to farmers, use of media, technical publications, and market management information services to benefit agribusiness development. • Seven ATAs, the Federation of Agricultural Trade Associations (KASH), the Agribusiness Expert Council (KEA), and the Association Business and Management Center (ABMC) were established.
Jan. 1, 2002 to Dec. 31, 2003	AAATA Phase Two	5,586,950	<ul style="list-style-type: none"> • Institutional Strengthening, Capacity Building, and Sustainability of ATAs—emphasis on KASH, the ABMC, the KEA, credit unions association, and Private Sector Extension Services (PSES). Enhance effectiveness of research institutes (VRI, FRI, and ARI) to improve quality and safety standards of food products in Albania. • Agribusiness Development—focus on establishment of base to develop industry clusters and commodity value chains by removing constraints and assisting progressive entrepreneurs in the development of four key subsectors, namely greenhouse vegetables, field fruits and vegetables, poultry, and olives/edible oils. • Development of Albanian Spice and Herbal industries—support establishment of Albanian Spice and Herbal Products Association, and industry clusters. • Strengthening of the National Albanian Farmers Union (BKFSH) to improve its effectiveness in addressing concerns of farmers regarding the economy and policies affecting agriculture.

During this phase of support to the development of a sustainable restructured fertilizer subsector in Albania (1992-98), farmers, agribusinesses and the economy as a whole benefited as a result of increased added returns, employment, profits, and incomes. Although in this phase, the focus was limited to improvements in the supply of agro-inputs, positive impacts of the

project's (program) interventions on the productivity of farming and agribusiness enterprises resulted in benefits to producers (farmers and agribusiness) and, indirectly, to consumers of agricultural products, the labor force, and the country's economy.

The success of AFADA in the development of an efficient supply of agricultural inputs implemented with the active participation of the private sector (1992-98) stimulated and expedited the establishment of additional Agricultural Trade Associations (ATAs). However, in 1999, the main focus of the program was shifted towards the development of agricultural and agribusiness enterprises involved in the production, marketing, and processing of agricultural outputs. The rapid emergence of these new ATAs and their associated new needs (and opportunities) for development assistance provided the rationale for USAID/IFDC to continue support and involvement in the Assistance to Albanian Agricultural Trade Associations (AAATA) project, Phase One (1999-2001) and Phase Two (2002/03). A summary of the main focus of this project in each phase is presented in Table 1.1 and a more detailed description is offered in the following section.

Project Description

Implementation of the Assistance to Albanian Agricultural Trade Associations (AAATA) project began in January 1999 initially for 3 years (Phase One—1999 to 2001) with an option for two more (Phase Two—2002/03). The goal of the project is clearly within the USAID strategic objective of developing successful private enterprises that stimulate widespread and robust economic growth. This is done by improving the productivity and expansion of agricultural production and processing of outputs. The establishment of dynamic and sustainable agricultural trade associations are the key instruments of change and innovation.

Goal and Objectives

The ultimate goal of the project is to significantly contribute to Albania's economic development and growth by promoting the development of an efficient agribusiness subsector that can expand markets for and add value to the country's agricultural products. To achieve this goal, the main inter-related objectives of the project are:

1. **Institutional capacity building of ATAs to:**
 - a. Improve their capabilities as instruments of continuous change and innovation to their members.
 - b. Advance the participation and influence that their members have in the development and enactment of policies that affect the agribusiness subsector.
 - c. Enhance the long-term financial viability of the ATAs.
2. **Development and growth of agribusiness enterprises in targeted ATAs by providing:**
 - a. Assistance to associations and agribusiness enterprises in the preparation of feasibility and business planning studies, credit facilitation and financial counseling, credit monitoring, credit and finance training, and access to external credit facilities.
 - b. Support to credit union development for agribusiness owners, families and communities, through assistance in credit union formation, institutional development, policy improvement, savings mobilization, credit administration, and training.
 - c. Support services to improve GOA services to agro-processing, technical assistance to farmers, use of media, technical publications, and market management information services that benefit agribusiness development.

To reach the goal and objectives indicated above, a number of key interrelated activities were identified as critical components of the project to assist and support targeted ATAs and agribusiness enterprises (AEs). These activities were conducted on the basis of comprehensive work plans of activities prepared, implemented, and frequently modified and updated as required by the evolving demands, emerging opportunities, and changing circumstances that confronted the ATAs and AEs. Project activities are described in detail in the work plans and progress reports prepared periodically by the project. However, some of the key general complementary activities of the program are noted here:

1. Assist in the planning and implementation of the Association and coordinate meetings of targeted ATAs and Apex organizations.
2. Continuous interaction with ATAs' officials and monitoring of ATAs and AE activities to identify constraints to the profitability, growth, and development of agribusinesses, the soundness of the financial situation of ATAs, and to conduct assessments and reviews of their needs.

3. Support services and assistance for evaluating the need to restructure agribusiness production and marketing systems.
4. Provision of training and technical assistance to ATAs and AEs personnel on the efficient organization and financially sound management of targeted ATAs and enterprises.
5. Provision of services, training, and information to facilitate access to credit—preparation of investment plans and business plans for loan applications, feasibility studies, and financial counseling.
6. Assist in the preparation of comprehensive business plans to enhance the effectiveness of financial management and sustainability of targeted ATAs and AEs.
7. Preparation of materials and design of strategies to use mass media for enhancing the image of ATAs, conducting membership drives, and gaining public support (advocacy).
8. Compilation and dissemination of market information useful to targeted ATAs and AEs, and for the development and growth of credit unions.
9. Assist in the preparation of technical publications and agribusiness magazine.

In Phase One of the AAATA project, the initial focus was on small- to medium-scale processing enterprises for grain, meat products, poultry and eggs, edible oil, and horticulture industries. During the three-year period, the project was successful in increasing the membership, services, and financial soundness of the original seven, and later, eight trade associations targeted by the project. These ATAs comprise the production and/or processing of (1) commercial horticultural products including greenhouses; (2) poultry, eggs, and feed milling; (3) olive and other edible oil; (4) meat products; (5) dairy products in collaboration with LOL; (6) fish; (7) flour milling and wheat; and (8) agricultural equipment and processing machinery. Also, in Phase One of the project, the apex organization KASH and the KEA and ABMC were established.

During Phase Two (2002-03), the focus and emphasis of the project shifted more towards institutional strengthening of the ATAs to enhance the long-term viability and sustainability of the Associations. In this Phase, increased emphasis was given to (1) strengthen the role and operational effectiveness of KASH, the ABMC, and the KEA; (2) the development of credit union associations and PSES; and (3) improving the effectiveness of the BKFSH in addressing farmers' concerns on the economy and the consequences of policies affecting farm production.

Moreover, during this Phase, greater importance was given to the establishment of a sound foundation and base to facilitate and energize the development of agribusiness clusters and commodity value chains by removing constraints and assisting progressive entrepreneurs in the development of four key subsectors, namely (1) greenhouse vegetables, (2) field fruits and vegetables, (3) poultry, and (4) olives and other edible oils. Support to the development and establishment of the Albanian Spice and Herbal Products Association and industry clusters was also added to the project's efforts during this Phase.

Performance Indicators and Outputs

Measurable variables reflecting changes in the welfare of the targeted beneficiaries and the economy of the country are frequently used as indicators of the performance of development assistance projects and programs. These indicators are usually the values of quantifiable variables that are directly or indirectly affected by the program activities and interventions. Performance indicators are usually measures of the consequences of program activities and interventions in terms of outputs that are in fact intermediary benefits to be transformed into micro and aggregated impacts on the targeted beneficiaries, the country's economy, and the resource base. Good performance indicators are properly defined quantifiable variables that are associated with the program activities and interventions and that can be used to effectively assess the impact of a program.

Some key indicators of performance used to assess the impact of the USAID/IFDC AAATA program in Albania are specified here:

1. Impact on institutional capacity building of ATAs:

- Change in number and size of agribusiness members in targeted ATAs.
- Change in agribusiness activity towards diversification or specialization as a result of interventions by ATAs (and the project).
- Change in the number, scope, and diversity of services and products provided by ATAs.
- Change in the financial situation of ATAs and their prospects for long-term financial sustainability and self-reliance.

2. Impact on development and growth of agribusiness enterprises:

- Increase in production and decrease in average cost of production due to improvements in operating efficiency of targeted AEs as a result of program interventions such as technical assistance and relaxation of financial constraints.
- Volume and value of imported products and raw materials that are replaced with those from local sources and increased domestic production—import substitution.
- Lower costs and increased profitability of AEs as a result of better trade policies (tariffs, taxes) and access to credit and external markets as a result of interventions by targeted ATAs and the program.
- Changes in capital investments of targeted AEs and their impact on sales revenues, profits, and employment.
- Overall increase in volume of sales, revenues, and profits of targeted AEs (critical clients).

3. Impact of the development of targeted ATAs and AEs on farming enterprises and the rural population:

- Increased use of fertilizer, improved seed, and CPPs as a result of program interventions such as, improvements in technical advice, agro-inputs distribution and marketing, and availability of credit to farmers.
- Increased yields and production of crops, and the employment of farm labor associated with the improved use of fertilizer, seeds, and CPPs, and the adoption of better technology and diversification in agricultural production due to program interventions—impact on farm productivity.
- Increased economic returns to land and fixed factors of production and changes in farmers' incomes.

Impacts on Economy, Human Resources, and Food Security

In the final analysis, the effectiveness and success of a development assistance program is determined by the tangible impact that a well structured set of activities and technology transfer efforts provide as a stream of measurable benefits to targeted beneficiaries, the economy, and the resource base. Such benefits represent the impacts of the program and consist of outputs and outcomes of the program expressed in terms of monetary values, quantities of goods, and/or

services, and measures of proxy variables that are sometimes used to assess impacts on the resource base, food security, and socioeconomic welfare.

Key measures of impact of the AAATA on the economy, the resource base, and food security are:

1. Economy:

- Effect of increased volume of business generated by targeted ATAs and AEs on the GDP, economic growth, and employment as a result of project interventions.
- Savings in costs of inputs purchased and/or gains in revenue attributable to better prices received for products sold as a result of cost/price advantages attained through economies of scale associated with ATAs sponsored transactions.
- Increased domestic production and supply of agricultural products (wheat, maize, fruits and vegetables) and processed products (poultry and meat products, animal feed), measured in terms of quantities and value.
- Increased earnings (and savings) of foreign exchange to improve balance of trade—impact on availability of foreign exchange.
- Expansion of GDP and employment associated with investments in refurbishing and expansion of infrastructure and production facilities by targeted AEs.
- Increased economic returns to agricultural land and fixed factors of production, farmers' income, and earnings of hired off-farm labor, due to increased use of fertilizer, improved seeds, and CPPs.

2. Resource Base:

- Natural resource base—improved plant nutrient balances in soils of agricultural land associated with the additional use of fertilizer will increase and sustain the productivity and economic value of agricultural land.
- Human resource base—increased economic returns to labor and the associated economic value of “human capital” as a result of improved skills, knowledge, and capabilities of entrepreneurs and the labor force in general.

3. Food Security:

- Increased production of food products, namely, wheat, maize, vegetables, fruits, poultry and eggs, and poultry and meat products will improve the availability of food and the overall food security situation in Albania.

- Increased earning of foreign exchange due to import substitution and export promotion associated with the increased efficiency and growth of targeted AEs and ATAs will boost the purchasing power of Albania to import food from other countries and enhance food security.

Assessment of Program Performance and Impact

Impact on Agribusiness Development

In Phase One (1999-2001), AAATA efforts in agribusiness trade association development were successful in strengthening the establishment and effectiveness of the targeted ATAs and small- to medium-scale agribusiness enterprises targeted by the project. Also, in Phase One of the project, the apex organization KASH and KEA and ABMC were organized and established.

During Phase Two (2002/03), the focus of the project shifted its emphasis toward the institutional strengthening of the ATAs to consolidate their operational capabilities and enhance their efficiency and the long-term viability and sustainability of the associations. In this phase of the project increased importance was given to efforts directed to (1) strengthening the role and operational effectiveness of KASH, ABMC, and KEA; (2) the development of credit union associations, and PSES; and (3) improving the effectiveness of BKFSH in addressing farmers' concerns on the economy and the consequences of policies affecting farming enterprises and farm production. A key objective and accomplishment of the project during this phase has been the establishment of a solid institutional foundation and base to facilitate the development of efficient agribusiness clusters and commodity value chains by relaxing and removing constraints and assisting progressive entrepreneurs in the development of the Albanian agribusiness subsector in general, and of four key agribusiness industry clusters, in particular. Thus, the efforts of the project were shifted towards the following four key subsectors of agribusiness development in Albania: (1) the horticultural subsector including the production of greenhouse vegetables and open field fruit and vegetable production and processing; (2) the poultry subsector involving the production and processing of broilers and eggs; (3) the production/processing of olive and other edible oils; and (4) agribusiness clusters associated with

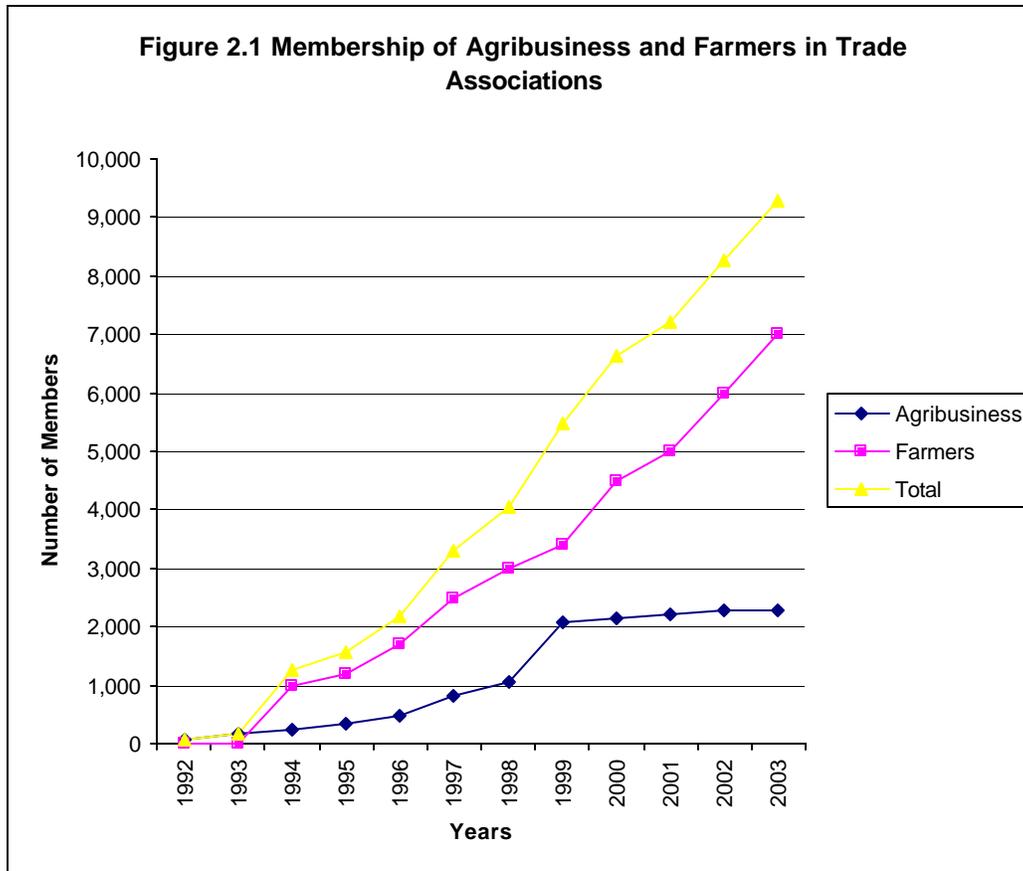
the industry of spices and herbal products and members of the Albanian Spice and Herbal Products Association. In the following sections the crucial contributions of the project to agribusiness development in Albania are evaluated in terms of their impacts on the growth of ATAs and related organizations, the availability and access to financial resources, the magnitude of capital investments, and ultimately, the growth in volume of agribusiness activity, profits and employment.

Growth of Agribusiness Trade Associations—The impact of the project on the growth and increased importance of the ATAs in Albania is measured here in terms of (1) the growth in the number of members of the ATAs, in particular in those targeted by the project for assistance and promotion; (2) the increase in the number of critical clients or agribusiness enterprises targeted by the project for assistance; (3) improvements in the effectiveness of apex organizations such as KASH, and supporting institutions such as ABMC and KEA; and (4) the establishment of credit unions as complementary supportive organizations of members of the ATAs and their communities.

Time series data on the membership of ATAs in Albania for 1992-2003 are presented in Table 2.1. These data and Figure 2.1 show the rapid growth in the membership of farmers and agribusiness entrepreneurs in these associations. In the early to mid 1990s, the USAID/IFDC program of assistance to Albania initially impacted the growth of ATAs mainly through the rapid increase in the membership of AFADA. This was as a result of the impressive success of the program in introducing and energizing the active participation of the private sector in the procurement, distribution, and retailing of fertilizers. Moreover, the success of AFADA has contributed significantly to the establishment of a number of new ATAs and the rapid growth in their membership since 1996. Between 1996 and 2003 the membership of agribusinesses and farmer associations has increased more than four-fold. In the agribusiness associations, membership increased from 485 members in 1996 to 2,278 in 2003, and in the farmer associations, from about 1,700 members in 1996 to 7,000 in 2003. Thus, the overall USAID/IFDC program and, in more recent years, the AAATA project have had a remarkable impact on the growth and influence of ATAs. As institutions of change, ATAs facilitate the active and efficient participation of the private sector in the development and growth of the agribusiness subsector and the agricultural sector in Albania.

Table 2.1. Impact of Program on the Membership of Agribusinesses and Farmers in Trade Associations. 1992-2003

Associations		Number of Members											
Acronym	Name	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
HABA	Horticultural Albanian Businessmen's Association						65	100	110	110	110	110	110
APFA	Albanian Poultry Farmers Association				35	35	35	35	35	35	35	35	35
AOA	Alimentary Oil Association						44	44	48	52	54	54	54
ALBAFLOR	Medicinal Herbs Association								60	65	70	70	70
LEAA	Dairy Production Association								700	700	700	700	700
AMPA	Albanian Meat Processors Association						30	30	30	30	30	30	30
AFPA	Albanian Fishery Professional Association						60	65	65	65	65	65	65
UPM	Wheat Millers Association						9	15	25	25	20	20	25
AFADA	Albanian Fertilizer and Agro-Input Dealers Association		60	90	100	120	120	130	150	150	150	150	150
	Subtotal Targeted ATAs		60	90	135	155	363	419	1,223	1,232	1,234	1,234	1,239
WMA	Willow Management Association								32	35	38	38	38
ANSPA	Potato Seed Association								150	150	150	150	150
AVALB	Albanian Agricultural Mechanization Association							60	60	60	65	65	65
FF	Seed and Seedling Association					30	50	80	100	110	124	124	124
FPDD	Private Farm of Fruit Trees Seedling							10	12	12	12	12	12
ABA	American Bank of Albania	80	100	160	220	300	350	420	450	500	530	600	600
ADAMA	Albanian Dairy and Meat Association						45	50	50	50	50	50	50
	Subtotal Other ATAs	80	100	160	220	330	445	620	854	917	969	1,039	1,039
	Subtotal Agribusiness ATAs	80	160	250	355	485	808	1,039	2,077	2,149	2,203	2,273	2,278
BKFSH	Albanian National Farmers Association			1,000	1,200	1,700	2,500	3,000	3,400	4,500	5,000	6,000	7,000
	Subtotal Farmers ATAs	0	0	1,000	1,200	1,700	2,500	3,000	3,400	4,500	5,000	6,000	7,000
	TOTAL:	80	160	1,250	1,555	2,185	3,308	4,039	5,477	6,649	7,203	8,273	9,278



The numbers of targeted enterprises or critical clients that have been the focus of more special attention for assistance by the AAATA project during 1999-2003 are presented in Table 2.2 by industry (and ATA). These data show that the number of AAATA’s critical clients in the agribusiness associations have more than doubled from 33 in 1999 to 68 in 2003. These data are evidence of the increased efforts of the project in assisting a larger number of agribusiness entrepreneurs and, also, reflect the increased interest and demand of entrepreneurs for assistance from the project. These numbers also show the increased emphasis given by the project in recent years to agribusiness development in (1) horticulture, including greenhouses and open field fruit and vegetable production and processing, (2) poultry and eggs, (3) olive and other edible oil, and (4) herbs and spices. This shift in emphasis is consistent with the change in focus, purpose, and objectives of Phase Two of the AAATA project.

Table 2.2. Number of Targeted Enterprises (Critical Clients)

Agribusiness Trade Associations	Industry	Number of Critical Clients				
		1999	2000	2001	2002	2003
HABA	Horticulture	7	9	19	21	21
APFA	Poultry/Eggs	5	4	4	10	10
AOA	Olive Oil	2	4	7	14	14
ALBAFLOR	Herbs and Spices	1	0	0	9	9
LEAA	Dairy Processing with LOL	4	3	2	2	2
AMPA	Meat Processing	9	7	7	2	2
AFPA	Fish Production/Processing and other	2	4	10	10	10
UPM	Flour Milling and Wheat	3	6	7	0	0
	Total Number of Critical Clients	33	37	56	68	68

The individual seven associations that were initially assisted by the program have experienced growth in membership and additional ATAs have been established. As result of this growth, these associations have become a significant and increasingly influential force in Albania. In response to this increased influence, apex and supporting organizations were established to enhance advocacy and to boost the benefits from their increased influence. In regard to advocacy efforts, KASH includes 18 agricultural trade associations that have joined together to exert greater influence in the policy decision-making process of the GOA. Some of these 18 associations are assisted and supported by IFDC and Land O'Lakes (LOL), but some others are on their own. The KASH trade fair conducted in June 2003 and is expected to become an annual event could become an important source of financial support to enhance the sustainability of KASH and also a venue to discuss and promote policy development and advocacy. It is expected that the membership of KASH will remain stable. The AAATA project has already shifted most of the activities and decision-making responsibilities to the KASH leadership. The impact of the project on the growth and sustainability of the ATAs in Albania will be further enhanced through the establishment of KASH as an institution that is well recognized for its strength and capability to promote the development and growth of agribusiness trade associations.

ABMC is an important organization established by the project to provide support to agribusiness development in Albania. ABMC incorporated the ACG and has developed a roster of experts in project management, proposal development, and in the provision of technical

assistance to agribusiness clients. Some of these experts are in fact the same ones that so effectively promoted and facilitated institutional and trade credit for agribusiness clients. They are also responsible for the implementation of considerable self-investments by agribusiness critical clients of the AAATA project. ABMC is working to establish pre-eminence in local agriculture technical assistance (TA) and also is reaching out to financially strong investors interested in agriculture.

KEA was established and legally registered in March 2002. KEA is a nongovernmental and nonprofit organization that includes 16 well known agribusiness experts, aiming to serve as a “think tank,” to assist the GOA as it moves away from a former centrally planned and managed economy. In this context the KEA is addressing important policy issues and should continue to play an important supporting role in the development and growth of the agribusiness subsector and the agriculture of Albania. KEA has been working actively to strengthen its image and improve its public awareness.

The AAATA project has also had an impact on agribusiness development by contributing significantly to the establishment of credit unions that are based on the ATAs members, their families, and communities. The AFADA Credit Union (CU) continues to be the largest CU in Albania having more than \$150,000 in funds to be lent. In addition, the AAATA project has fully established two other CUs based on trade associations. The Potato Seed Association (ANSPA) CU with 208 members and \$9,000 in credit funds and HABA CU with 148 members and more than \$11,000 in credit funds. The project also supported the establishment of the LOL women’s credit unions. The development of these credit unions is an additional important achievement of the AAATA project.

It is evident that the crucial role of the AAATA project in the establishment of ATAs and of organizations such as KASH, ABMC, and KEA represents a major contribution to agribusiness development and growth in Albania. The growth and influence that the ATAs and these organizations have achieved represents a solid foundation for the continuous and increased participation of the private sector in the economic activity and growth of the Albanian economy. Thus, the efforts of the USAID/IFDC program of assistance to Albania in institutional capacity building facilitate the removal of technical and financial constraints to agribusiness development.

This will provide compounded benefits in the future to the Albanian business community and the population of the country. In the following section the impact of the project on credit facilitation to remove financial constraints is described and analyzed.

Access to Financial Resources—The lack of access to credit, capital markets, and financial resources, in general, are serious constraints to investment and the business activity and growth of private sector business enterprises. Proper access to credit at competitive rates of interest is usually essential for business enterprises to implement capital investments and transactions and to conduct business activities in a productive and efficient manner. Most entrepreneurs and agribusiness enterprises require access to sources of credit and finance to supplement self-investments in capital assets, conduct international trade transactions, and to meet requirements for operating capital. Financial constraints are more acute in developing countries and in countries with economies in the process of transition from centrally planned to market-driven economies such as Albania. However, efforts to facilitate access to credit for agribusiness entrepreneurs in Albania are necessary, but not sufficient, to achieve agribusiness development.

Recognizing the importance and nature of the financial constraints for agribusiness in Albania, the AAATA project, through continuous assistance and activities in credit facilitation to critical clients in targeted ATAs, has been very successful in relaxing and overcoming financial constraints to agribusiness entrepreneurs and enterprises in the country. In Table 2.3 the impact of the project in relaxing this constraint is well illustrated by the amounts of credit provided to agribusiness enterprises targeted by the project (critical clients) in the form of loans mainly to conduct trade transactions and supplement working capital requirements. Occasionally, some of these loans were also used to supplement the use of their own financial resources (self-investments) to invest in capital assets (capital investments). Between 1999 and 2003, assistance provided by the AAATA project facilitated the provision of credit for more than US \$13 million to agribusiness enterprises also receiving support from the project on technical and entrepreneurial aspects associated with the investment and operational components of the businesses. Data in Table 2.3 also show that the agribusiness industry clusters that in recent years received most financial resources through credit facilitated by the project were (1) poultry with over US \$4 million; (2) meat processing with US \$2.9 million; (3) horticulture, including

greenhouses, with about US \$1.8 million; and (4) the olive oil cluster with US \$1.76 million. In addition, during Phase One of the AAATA project, industry clusters of dairy products in collaboration with LOL and also flour milling and wheat were important beneficiaries of the credit facilitation efforts of the project.

Table 2.3. Impact of Credit Facilitation by Project on Amounts of Credit Provided to Targeted Enterprises Mainly as Bank Loans for Trade and Working Capital

Agribusiness Trade Associations	Industry	Semester	Credit Provided				
			1999	2000	2001	2002	2003
			('000 US \$/year) ^a				
HABA	Horticulture	First		535	80		
		Second	500	450	230		
		Year	500	985	310	0	0
APFA	Poultry/Eggs	First	220	320	250	1,350	300
		Second	660	450	450	650	
		Year	880	770	700	2000	300
AOA	Olive Oil	First					600
		Second				1,160	
		Year	0	0	0	1,160	600
ALBAFLOR	Herbs and Spices	First					55
		Second				70	
		Year				70	55
LEAA	Dairy Processing with LOL	First	20	120	140		
		Second	95				
		Year	115	120	140	0	0
AMPA	Meat Processing	First	350		300		
		Second	1,550	500	200		
		Year	1900	500	500	0	0
AFPA	Fish Production/Processing	First				400	
		Second					
		Year	0	0	0	400	0
UPM	Flour Milling and Wheat	First		100			
		Second	210	190			
		Year	210	290	0	0	0
AFADA	AFADA Dealers	First					
		Second					
		Year	0	0	0	0	0
	Total ('000 US \$/year):		3,605	2,665	1,650	3,630	955
	Total Cumulative ('000 US \$):		3,605	6,270	7,920	11,550	12,505

a. Includes credit for trade, working capital and to supplement capital investments.

The AAATA project interventions that facilitated credit for AEs to finance trade transactions and meet operating capital needs are important to note. The project has contributed significantly to the important investments that Albanian agribusiness entrepreneurs have made with their own resources. In fact, through the provision of technical assistance and access to credit, the AAATA project has leveraged a significant amount of self-investment by Albanian entrepreneurs. This has had a substantial impact on the volume of business activity, employment, and the economy of Albania.

Agribusiness Investments—The well-implemented activities and efforts of the AAATA project to relax and remove technical and financial constraints through direct assistance and institutional capacity building have been very successful in promoting the implementation of capital investments by agribusiness enterprises. This achievement is the fundamental source of the most important economic impacts of the project.

Impacts of the project on the levels of capital investments implemented by agribusiness enterprises (critical clients) in the industry clusters targeted by the project are presented in Table 2.4. Between 1999 and 2003, the total cumulative impact of the project on agribusiness capital investments in Albania amounted to approximately US \$21.8 million. These data also show that the industries that have implemented a larger proportion of these investments are (1) poultry with about US \$8.9 million, (2) flour milling and wheat with US \$4.3 million, (3) horticulture with US \$2.7 million, (4) olive oil, and (5) meat processing with about US \$2.0 million each. Variation in the annual levels of investments presented in Table 2.4 also show the shift in emphasis by the project in most recent years (2001-03) to agribusiness enterprises in the poultry, horticulture, and olive oil industry clusters. The overall impact of the project on the level of capital investments in agribusiness is fairly significant if viewed in the context of the total amount of investments by the private sector in the industrial sector of Albania.

Table 2.4. Impact on Levels of Capital Investment by Targeted Enterprises

Agribusiness Trade Associations	Industry	Semester	Capital Investments ('000 US \$)					Total
			1999	2000	2001	2002	2003	
HABA	Horticulture							
	Greenhouses	First				386	800	
		Second	10	300		380		
		Year	10	300	0	766	800	1,876
	Fruit and Vegetable Production and Processing	First	110	50	100	100	50	
		Second	260	100	50	20		
		Year	370	150	150	120	50	840
	Total Horticulture	First	110	50	100	486	850	
		Second	270	400	50	400	0	
Year		380	450	150	886	850	2,716	
APFA	Poultry/Eggs	First	850	70	650	1,190	800	
		Second	2,000	2,150		1,200		
		Year	2,850	2,220	650	2,390	800	8,910
AOA	Olive Oil	First	20		350	40	700	
		Second	40	150	600	115		
		Year	60	150	950	155	700	2,015
ALBAFLOR	Herbs and Spices	First						
		Second						
		Year	0	0	0	0	0	0
LEAA	Dairy Processing	First	240	70	20	130	150	
		Second	260	80	50	300		
		Year	500	150	70	430	150	1,300
AMPA	Meat Processing	First		50	130	150	350	
		Second	118	120	200	900		
		Year	118	170	330	1,050	350	2,018
AFPA	Fish Production/Processing	First				340		
		Second				60		
		Year	0	0	0	400	0	400
UPM	Flour Milling and Wheat	First		240				
		Second	90	30	4,000			
		Year	90	270	4,000	0	0	4,360
AFADA	AFADA Dealers	First						
		Second			120			
		Year	0	0	120	0	0	120
	Total ('000 US \$/ year):		3,998	3,410	6,270	5,311	2,850	21,839
	Total Cumulative ('000 US \$):		3,998	7,408	13,678	18,989	21,839	

The importance of the AAATA impact on capital investments by agribusiness enterprises is demonstrated by the fact that successful capital investments engender a flow of economic activity and benefits over the lifespan of the capital asset. Thus the economic and social benefits of the AAATA project in Albania will occur for a number of years well after the project is officially concluded in 2003. In evaluating this type of project it is important to conduct an assessment that is based in time horizons that are suitable to capture the complete stream of benefits and costs associated with the capital investments induced by the project.

Agribusiness Sales and Profits—Estimates of the impact of the project on the flow of sales revenues and profits are derived from the flow of the capital investment impacts shown previously in Table 2.4. The methodology used in this study to derive estimates of sales revenues and profits associated with the impact of the AAATA project on the capital investment of targeted AEs or critical clients is described in Appendix A. In this methodology, estimates of sales revenues and profits are essentially calculated by specifying the equation that relates sales revenues to capital investments when average annual rates of return on capital invested and profit margins on sales revenues are known. This equation and the explanation about the values of rates of return and profit margins adopted to derive estimates of sales revenues and profits are described in the Appendix. It should be noted, however, that the prevailing criteria adopted here has been to obtain estimates of sales revenues and profits that are and should be viewed as conservative lower-bound estimates.

The estimated impact on sales revenues and profits associated with the capital investments facilitated by the AAATA project are presented in Table 2.5. The value of 20% adopted in the calculations as the average rate of return on investment (including depreciation and competitive returns to capital) implies a life span of the capital investment greater than 5 years. Estimates of impacts of investments on sales and profits during the 5 years following the year of investment are included in these calculations. These estimates are conservative lower-bound estimates of the sales revenues and profits associated with the flow of capital investments induced by the AAATA project. The estimated cumulative impact of the project is quite substantial and during 2000-08 is expected to amount to more than US \$106 million in sales revenues and more than US \$23.4 million in profits. The distribution of benefits in terms of impacts on sales and profits among various agribusiness industry clusters follow the same patterns than the distribution of impacts on capital investments presented above.

Table 2.5. Estimated Impact on Sales and Profits Associated with the Capital Investments of Targeted Enterprises

Agribusiness Trade Associations	Industry		Investments, Sales Revenues, and Profits ('000 US \$)										
			1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	
HABA	Horticulture	Capital Investment:	380	450	150	886	850						
		Impact on Sales:	0	345	755	891	1,696	2,469	2,124	1,715	1,578	773	
		Impact on Profits:	0	76	166	196	373	543	467	377	347	170	
APFA	Poultry/Eggs	Capital Investment:	2,850	2,220	650	2,390	800						
		Impact on Sales:	0	4,811	5,259	7,590	8,173	8,100	5,509	3,491	2,900	727	
		Impact on Profits:	0	1,058	1,157	1,670	1,798	1,782	1,212	768	638	160	
AOA	Olive Oil	Capital Investment:	60	150	950	155	700						
		Impact on Sales:	0	55	191	1,055	1,195	1,832	1,777	1,641	777	636	
		Impact on Profits:	0	12	42	232	263	403	391	361	171	140	
LEAA	Dairy Processing	Capital Investment:	500	150	70	430	150						
		Impact on Sales:	0	455	591	655	1,045	1,182	1,227	1,091	1,027	636	
		Impact on Profits:	0	100	130	144	230	260	270	240	226	140	
AMPA	Meat Processing	Capital Investment:	118	170	330	1,050	350						
		Impact on Sales:	0	107	262	562	1,516	1,835	1,727	1,573	1,273	318	
		Impact on Profits:	0	24	58	124	334	404	380	346	280	70	
AFPA	Fish Production/ Processing	Capital Investment:	0	0	0	400	0						
		Impact on Sales:	0	0	0	0	364	364	364	364	364	0	
		Impact on Profits:	0	0	0	0	80	80	80	80	80	0	
UPM	Flour Milling and Wheat	Capital Investment:	90	270	4,000	0	0						
		Impact on Sales:	0	82	327	3,964	3,964	3,964	3,882	3,636	0	0	
		Impact on Profits:	0	18	72	872	872	872	854	800	0	0	
Total ('000 US \$/ year):		Capital Investment:	3,998	3,410	6,150	5,311	2,850						
		Impact on Sales:	0	5,855	7,385	14,715	17,954	19,745	16,610	13,510	7,919	3,091	
		Impact on Profits:	0	1,288	1,625	3,237	3,950	4,344	3,654	2,972	1,742	680	
Total Cumulative ('000 US \$):		Capital Investment:	3,998	7,408	13,558	18,869	21,719						
		Impact on Sales:	0	5,855	13,239	27,955	45,908	65,653	82,263	95,773	103,692	106,783	
		Impact on Profits:	0	1,288	2,913	6,150	10,100	14,444	18,098	21,070	22,812	23,492	

The ultimate impact of the AAATA project on sales and profits is determined by the reliability of the actual levels of capital investments, the specific nature of the capital asset, and the financial failure or success of the investment. A sensitivity analysis is conducted to evaluate the possible effect of lower estimates of impact on sales revenues. This is a result of the overestimation of the impact of the project on levels of capital investment and/or the financial failure of some investments. A summary of the results of the sensitivity analysis shown in Table 2.6 clearly indicate that even if the estimated impact on sales revenues were 30% lower than it is estimated in Table 2.4, the cumulative impact (2000-2008) on sales would still be about US \$74.7 million, and on profits US \$16.4 million. Thus, even at these reduced levels of impact on sales revenues, the overall flow of benefits of the AAATA project on sales revenues and profits are quite substantial with respect to the size of the Albanian economy.

Impact on Employment and Human Resource Development

The contribution of a project to employment of the labor force and the development of the human resource base is one of the most important indicators of the impact and success of a development assistance project. The human resource base in Albania benefited from the additional employment generated in the agribusiness enterprises targeted by the AAATA project. Benefits were also seen through improvement in the skills and knowledge of a large number of personnel from the ATAs and AEs that were assisted by the project and received training as part of the capacity building efforts of the AAATA.

Table 2.6. Sensitivity Analysis of Impact on Sales and Profits

Scenarios ^a		Impact on Sales Revenues and Profits ('000 US \$)										
		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Cumulative
If Expected Impact on Sales is:												
1. Unchanged	Impact on Sales:	0	5,855	7,385	14,715	17,954	19,745	16,610	13,510	7,919	3,091	106,783
	Impact on Profits:	0	1,288	1,625	3,237	3,950	4,344	3,654	2,972	1,742	680	23,492
2. 10% Lower	Impact on Sales:	0	5,269	6,646	13,244	16,158	17,770	14,949	12,159	7,127	2,782	96,104
	Impact on Profits:	0	1,159	1,462	2,914	3,555	3,909	3,289	2,675	1,568	612	21,143
3. 20% Lower	Impact on Sales:	0	4,684	5,908	11,772	14,363	15,796	13,288	10,808	6,335	2,473	85,426
	Impact on Profits:	0	1,030	1,300	2,590	3,160	3,475	2,923	2,378	1,394	544	18,794
4. 30% Lower	Impact on Sales:	0	4,098	5,169	10,301	12,568	13,821	11,627	9,457	5,543	2,164	74,748
	Impact on Profits:	0	902	1,137	2,266	2,765	3,041	2,558	2,081	1,220	476	16,445

a. Impact on sales and profits could be lower as a result of factors such as over-estimation of investments and the failure of some investments.

Estimates of the impact of the project on employment derived from the estimated impact of the project capital investments on sales revenues are presented in Table 2.7. With the exception of the estimates for Herbs and Spices that were obtained from the AEs, all other estimates are calculated by assuming that on average one additional person will be employed as a result of each additional increase of US \$50,000 in the annual sales revenues induced by the project in the targeted AEs. It is recognized that there is sometimes significant variability of labor use among AEs in different industries and therefore variability in the relationship between changes in sales revenues and employment. The average used to derive the estimates presented in Table 2.7 provides very conservative estimates of the impact of the project on employment. Considering the relatively low current average levels of wages and salaries earned by the labor force in Albania, an increase in annual sales revenues that is significantly lower than US \$50,000 may actually trigger the employment of an additional worker in some agribusiness industries. Estimates presented in Table 2.7 show that as result of the impact of the AAATA project on agribusiness capital investments and sales revenues and the impact of direct project assistance to the Herbs and Spices industry, a total of 4,761 person-years of employment will be provided to the Albanian labor force during 2000-08. If a more liberal (and probably more realistic) assumption about the increase in annual sales revenues needed to hire an additional worker is reduced to US \$25,000, then the estimated impact of the AAATA project on employment will increase to 6,896 person-years during 2000-08.

Table 2.7. Estimated Impact on Employment Associated with the Capital Investments of Targeted Enterprises

Agribusiness Trade Associations	Industry	Impact on Employment in Number of Person-Years ^a									
		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
HABA	Horticulture	0	7	15	18	34	49	42	34	32	15
APFA	Poultry/Eggs	0	96	105	152	163	162	110	70	58	15
AOA	Olive Oil	0	1	4	21	24	37	36	33	16	13
ALBAFLOR	Herbs and Spices	0	0	0	375	375	375	375	375	375	375
LEAA	Dairy Processing (with LOL)	0	9	12	13	21	24	25	22	21	13
AMPA	Meat Processing	0	2	5	11	30	37	35	31	25	6
AFPA	Fish Production/Processing	0	0	0	0	7	7	7	7	7	0
UPM	Flour Milling and Wheat	0	2	7	79	79	79	78	73	0	0
	Total Persons per Year:	0	117	148	669	734	770	707	645	533	437
	Total Cumulative Person-Years:	0	117	265	934	1,668	2,438	3,145	3,790	4,324	4,761

a. Estimates of impact on employment for all industry clusters (except herbs and spices) are calculated on the bases of estimated impact on sale, that is, one additional person is employed for each additional increase of US \$50,000 in the annual sales revenues.

The impact of the AAATA on employment benefits of the Albanian labor force and their families through the provision of (1) incomes to improve their living standards and means to enhance the achievement of economic, social, and political stability and (2) improved knowledge and skills to workers through formal and on the job training. In addition to the direct impact on employment, the human resource base in Albania has benefited from formal and informal training and the technical and entrepreneurial advice and assistance provided by the project. More than 300 persons have been trained on diverse skills and expertise that are needed to improve the effectiveness, profitability and growth of agribusiness enterprises in the targeted ATAs. In regard to the benefits of training, it is important to note that, returns to investments in human capital through formal and informal training occur over the life span of the persons receiving the training. Also, it should be noted that these returns to investments in training are usually higher when the economy is growing and there is a need for well-trained personnel to facilitate the rapid transfer and adoption of improved technology occurring in Albania.

Impact on Balance of Trade

Although a comprehensive assessment of the impact of the AAATA project on exports and import substitution cannot be made because of data limitations, there is clear evidence and well-documented examples of impact on exports conducted by AAATA clients. These examples involve the export of important quantities of fresh tomato and watermelon, frozen vegetables,

eggs, roasted peppers, ketchup, and canned products to countries such as Kosovo, Germany, Croatia, and Greece. Vegetables and poultry products are the main products that are being exported as a result of the AAATA project interventions. Data of the project impact on exports show that quantities of these products with a value of about US \$1.7 million and US \$1.2 million were exported in 2001 and 2002. In 2003, products with a value of more than US \$0.6 million, including US \$384,000 of herbs and spices to the United States, have been or are currently in the process of being exported. Although there is not sufficient information to accurately assess the impact of the project on import substitution, it is apparent that the project has had a significant positive impact on the productivity and production of vegetables. There is evidence that increases in the domestic production of vegetables associated with productivity improvements have reduced the importation of some vegetable products. Data on the export promotion and import substitution that are associated with the impacts of the project on agribusiness development indicate that the AAATA project has improved the annual balance of trade of Albania by several million U.S. dollars.

Impact on Farm Productivity and Agricultural Development

In addition to the impact on agribusiness development, the USAID/IFDC program of assistance to Albania has had a significant impact on the productivity of agricultural production in general, and crop production in particular. The program, by facilitating the development of an efficient system to procure, distribute, and retail fertilizers, improved seed, and CPPs to farmers has promoted the adoption of improved crop production technology and increased crop yields significantly. In this section, the impact of the program, before the AAATA project was initiated, will be evaluated in terms of improvements in technology, crop yields, and economic returns to farmers' land and fixed factors of production.

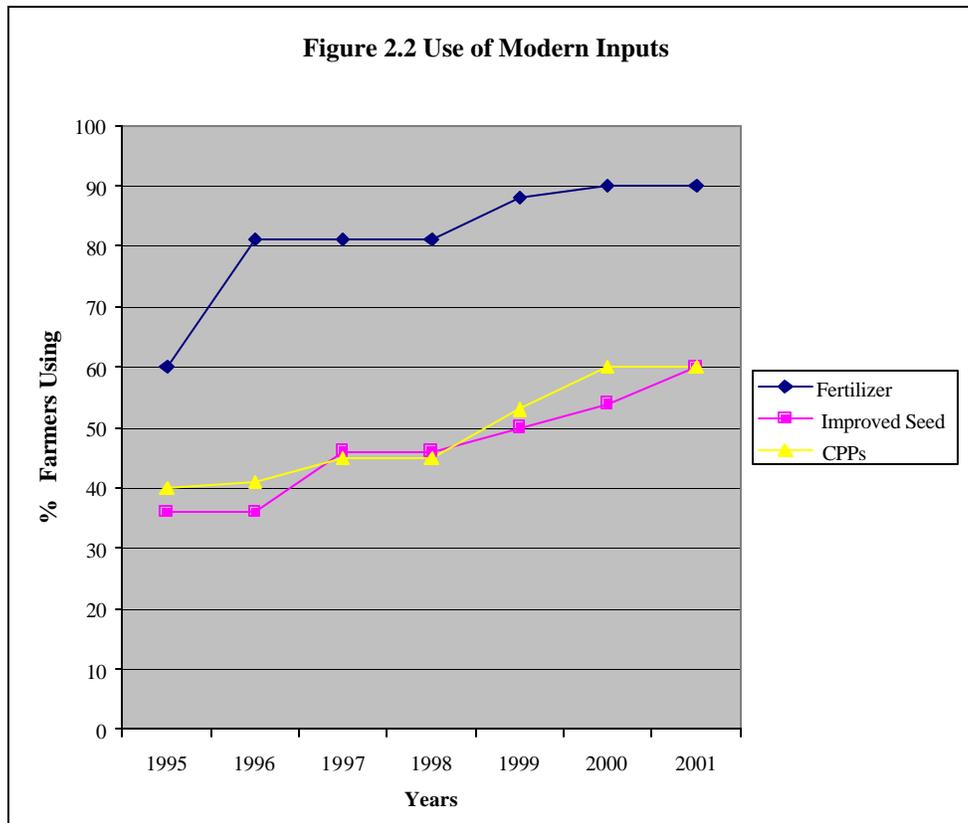
With a total land area of about 2.8 million ha, only about 700,000 ha of land in Albania is arable land. At a rate of about 0.2 ha of land per capita, the very limited availability of land and its highly fragmented distribution are serious constraints to improvements in agricultural production and productivity. Despite these constraints, improvements in crop production technology have provided significant increases in crop yields that are important to farmers even when a large number of farmers in Albania are still essentially subsistence farmers.

Improvements in Crop Production Technology—A summary of the impact of the Initial Phase (1992-98) of the USAID/IFDC program of assistance to Albania on the use of fertilizer, improved seeds, and CPPs and their apparent effect on yields of wheat, maize, and alfalfa is presented in Table 2.8. The program efforts in establishing AFADA and in assisting fertilizer dealers and importers to develop efficient agribusiness enterprises have contributed significantly to the rapid growth in the use of fertilizers, improved seeds, and CPPs by farmers. The rapid growth in the use of these inputs is shown in Table 2.8 and is also depicted in Figure 2.2.

Table 2.8. Program Impact on the Use of Improved Inputs and Farm Productivity, 1995-99

Project Impacts	1995	1996	1997	1998	1999
On Input Use					
Use of fertilizer (mt)	32,000	43,329	47,327	86,665	54,225
Use of improved seed total (mt)	90	2,777	3,667	4,099	6,500
Imported seed (mt)	90	1,377	1,732	1,394	1,500
Domestic seed (mt)		1,400	1,935	2,705	5,000
Farms using improve seed (%)	58	36	46	47	50
Use of CPPs ('000 US \$)		134	389	1,048	5,331
Farms using CPPs (%)	40	41	45	46	53
On Crop Yields^a					
Wheat average yield (mt/ha)	2.60	2.4	2.9	2.9	2.7
Wheat yield increase (mt/ha)	0.90	0.83	1.00	1.00	0.94
Maize average yield (mt/ha)	1.70	2.9	2.9	3.4	3.7
Maize yield increase (mt/ha)	0.70	1.19	1.19	1.40	1.52
Alfalfa average yield (mt/ha)	24.00	30.00	28.20	31.20	32.30
Alfalfa yield increase (mt/ha)	12.18	15.22	14.31	15.83	16.39

a. Estimates based on a sample of farmers.



Data presented in Table 2.8 also show that significant increases in crop yields have been obtained as a result of the improvements in crop production technologies. Estimates of the increases in crop yields calculated using data from a sample of farmers are presented in Table 2.8 and show that, on the average, yields of wheat and maize increase by 53% and 70%, respectively, and that the yields of alfalfa doubled as a result of improved technology. However, 1999 average yields of these crops for the country did not experience the same levels of increase as those observed in the sample.

Impact on Economic Returns to Farmers and Fertilizer Dealers

Because fertilizers, seeds, and CPPs are variable inputs, benefits to farmers are measured in terms of the increased economic returns to land and fixed factors of production associated with the use of these inputs. Estimates of these benefits are calculated and presented in Table 2.9 for three different scenarios of crop response to the increased use of fertilizers in conjunction with the use of improved seeds and CPPs. In these scenarios, circumstances of high, medium, and low response are assumed to result in Value/Cost (V/C) ratios of fertilizer use of 4, 3, and 2, respectively. On the basis of these V/C ratios and the quantities and costs of fertilizer used, the

added benefits and costs associated with the use of fertilizer are calculated, and then, the net benefits in terms of economic returns to the farmers' land and fixed factors of production are obtained. These net benefits represent the economic impact benefit of the program to the farmers. In addition to the benefit to farmers, the USAID/IFDC program also engenders additional economic benefits in the form of profits to the agribusiness enterprises of the AFADA dealers. In Table 2.9, a profit margin of 10% on fertilizer sales revenue (cost to farmers) is used to calculate the profits of (benefits to) the AFADA dealers.

To calculate the flow of the overall economic benefits of the program associated with the development of AFADA, the benefits of the program to farmers are calculated by using the estimates of the medium response scenario and, furthermore, by assuming that only 25% of these benefits can be attributed to the efforts of the program in ensuring the efficient distribution and supply of fertilizers, improved seeds, and CPPs to farmers. The stream of total economic benefits shown in the last column of Table 2.9 is used in the following sections to conduct the benefit-cost analysis of the overall USAID/IFDC program of assistance to Albania, 1992-2003.

Table 2.9. Estimated Benefits of Fertilizer Use Associated with the Improved Supply of Agro-Inputs by Agribusiness Enterprises Members of AFADA. 1992-99

Year	Quantity	Weighted Average Price of Fertilizer ^a	Total Cost of Fertilizer	Scenarios									Relative Impact of Project on Input Supply	Project Benefit		
				High Response			Medium Response			Low Response				To Farmers	To AFADA Dealers (Profits)	Total
				Value Added	Added Return	Project Benefit	Value Added	Added Return	Project Benefit	Value Added	Added Return	Project Benefit				
	(mt)	(US \$/mt)	('000 US \$)	('000 US \$)									%	('000 US \$)		
1992	15,000	220	3,300	13,200	9,900	2,475	9,900	6,600	1,650	6,600	3,300	825	25%	1,650	330	1,980
1993	20,667	220	4,547	18,187	13,640	3,410	13,640	9,093	2,273	9,093	4,547	1,137	25%	2,273	330	2,728
1994	25,800	220	5,676	22,704	17,028	4,257	17,028	11,352	2,838	11,352	5,676	1,419	25%	2,838	568	3,406
1995	32,000	220	7,040	28,160	21,120	5,280	21,120	14,080	3,520	14,080	7,040	1,760	25%	3,520	704	4,224
1996	43,329	220	9,532	38,130	28,597	7,149	28,597	19,065	4,766	19,065	9,532	2,383	25%	4,766	953	5,719
1997	47,327	220	10,412	41,648	31,236	7,809	31,236	20,824	5,206	20,824	10,412	2,603	25%	5,206	1,041	6,247
1998	86,665	220	19,066	76,265	57,199	14,300	57,199	38,133	9,533	38,133	19,066	4,767	25%	9,533	1,907	11,440
1999	54,225	220	11,930	47,718	35,789	8,947	35,789	23,859	5,965	23,859	11,930	2,982	25%	5,965	1,193	7,158
2000	87,510	220	19,252	77,009	57,757	0	57,757	38,504	0	38,504	19,252	0	0%			
2001	72,061	220	15,853	63,414	47,560	0	47,560	31,707	0	31,707	15,853	0	0%			
2002	63,063	220	13,874	55,495	41,622	0	41,622	27,748	0	27,748	13,874	0	0%			
2003	66,900	220	14,718	58,872	44,154	0	44,154	29,436	0	29,436	14,718	0	0%			
		V/C Ratios:		4			3			2						

a. Weighted average price of fertilizer calculated on the basis of 2002 quantities and average prices.

Benefit-Cost Analysis

A benefit-cost analysis of the investment made in the USAID/IFDC program of assistance to Albania is conducted in this part of the study to assess in a more direct way the effectiveness and soundness of the investment in terms of its economic returns. Two benefit-cost analyses are conducted in this section, first, to evaluate the investment in the AAATA project, and second, to assess the investment in the overall 1992-2003 USAID/IFDC program of assistance to Albania.

Benefit-Cost Analysis of AAATA Project

A benefit-cost analysis of the investment in the AAATA project is conducted to evaluate this investment as an additional but independent investment from those occurring before 1999 as part of the USAID/IFDC program of assistance to Albania. Results of this analysis are presented in Table 3.1. The flows of economic benefits associated with the investment in the AAATA project shown in Table 3.1 are in fact the estimated flow of profits generated by the impact of the project on agribusiness capital investments and sales for the four different scenarios of investment impacts on sales presented before in Table 2.6. Scenarios 1, 2, 3, and 4 in Table 3.1 include estimates of impacts on profits that are based on the assumptions that the investment effect on sales will be as is estimated (unchanged), or, alternatively 10%, 20%, and 30% lower than is estimated, respectively. The 2000-08 flows of benefits shown in Table 3.1 are estimates of the impact on profits under these four scenarios. The flow of costs is calculated by using the costs of Phase One and Two of the AAATA project to obtain average costs per year.

Table 3.1. Benefit-Cost Analysis of AAATA Project

Year	Scenarios				Costs	Scenarios			
	1	2	3	4		1	2	3	4
	Benefits ('000 US \$)					Benefits - Costs ('000 US \$)			
1999	0	0	0	0	2,094	-2,094	-2,094	-2,094	-2,094
2000	1,288	1,159	1,030	902	2,094	-806	-935	-1,064	-1,192
2001	1,625	1,462	1,300	1,137	2,094	-469	-632	-794	-957
2002	3,237	2,914	2,590	2,266	2,793	444	120	-204	-527
2003	3,950	3,555	3,160	2,765	2,793	1,156	761	366	-29
2004	4,344	3,909	3,475	3,041	0	4,344	3,909	3,475	3,041
2005	3,654	3,289	2,923	2,558	0	3,654	3,289	2,923	2,558
2006	2,972	2,675	2,378	2,081	0	2,972	2,675	2,378	2,081
2007	1,742	1,568	1,394	1,220	0	1,742	1,568	1,394	1,220
2008	680	612	544	476	0	680	612	544	476
					NPV^a=	\$4,472.46	\$3,084.79	\$1,697.99	\$312.50
					IRR=	32%	26%	20%	13%

a. Net present values calculated using a rate of discount of 12%.

Results of the analysis presented in Table 3.1 show that NPVs calculated using an annual rate of discount of 12% are all positive and significant ranging from a NPV of US \$4.47 million for Scenario 1, when the estimated effect of the project on sales revenues and profits is unchanged, to a NPV of US \$312,500 for Scenario 4, when the estimated impact of the project on sales and profits is 30% lower than estimated. Internal rates of return (IRR) calculated for these scenarios vary from 32% in Scenario 1 to 13% in Scenario 4. These results clearly show that economic returns to the USAID investment in the AAATA project are very significant despite the use of a very conservative criterion to calculate the economic benefits of the project.

Benefit-Cost Analysis of the USAID/IFDC Program of Assistance to Albania

This analysis is conducted to assess the economic effectiveness of the investment by USAID in the overall 1992-2003 USAID/IFDC program of assistance to Albania. This allows for a more comprehensive and probably more realistic evaluation and assessment of investing in development assistance programs that have as their main objectives institutional development and capacity building that are implemented and provide benefits over a mid- to long-term time horizon.

Results of this analysis are presented in Table 3.2 for the same scenarios included in the analysis of the AAATA project, but now the flows of benefits and costs pertaining to 1992-2008 are included in the analysis. In this analysis, the flow of benefits to farmers and AFADA dealers

associated with the increased use of fertilizer, improved seeds, and crop protection products that were induced by the efficient supply of agro-inputs by AFADA dealers to farmers are also included in Table 3.1. The flow of benefits to farmers and AFADA agribusinesses that was previously calculated and presented in Table 2.9 is also included in Table 3.2 as part of the flow of benefits in the 4 scenarios considered in the analysis. The flow of costs is calculated by using the costs (USAID funding of projects) involved in the implementation of all the 1992-2003 sequence of projects that can be viewed as part of the USAID/IFDC program of assistance to Albania. Average costs per year were calculated for multiyear projects.

Table 3.2. Benefit-Cost Analysis of USAID/IFDC Program of Assistance to Albania

Year	Scenarios				Costs	Scenarios			
	1	2	3	4		1	2	3	4
	Benefits ('000 US \$)					Benefits - Costs ('000 US \$)			
1992	1,980	1,980	1,980	1,980	10,400	-8,420	-8,420	-8,420	-8,420
1993	2,728	2,728	2,728	2,728	2,250	478	478	478	478
1994	3,406	3,406	3,406	3,406	2,158	1,248	1,248	1,248	1,248
1995	4,224	4,224	4,224	4,224	2,158	2,066	2,066	2,066	2,066
1996	5,719	5,719	5,719	5,719	1,299	4,420	4,420	4,420	4,420
1997	6,247	6,247	6,247	6,247	4,313	1,934	1,934	1,934	1,934
1998	11,440	11,440	11,440	11,440	4,313	7,127	7,127	7,127	7,127
1999	7,158	7,158	7,158	7,158	2,094	5,064	5,064	5,064	5,064
2000	1,288	1,159	1,030	902	2,094	-806	-935	-1,064	-1,192
2001	1,625	1,462	1,300	1,137	2,094	-469	-632	-794	-957
2002	3,237	2,914	2,590	2,266	2,793	444	120	-204	-527
2003	3,950	3,555	3,160	2,765	2,793	1,156	761	366	-29
2004	4,344	3,909	3,475	3,041	0	4,344	3,909	3,475	3,041
2005	3,654	3,289	2,923	2,558	0	3,654	3,289	2,923	2,558
2006	2,972	2,675	2,378	2,081	0	2,972	2,675	2,378	2,081
2007	1,742	1,568	1,394	1,220	0	1,742	1,568	1,394	1,220
2008	680	612	544	476	0	680	612	544	476
					NPV^a=	\$7,250.4	\$6,622.69	\$5,995.37	\$5,368.65
					IRR=	25%	24%	23%	23%

a. Net present values calculated using a rate of discount of 12%.

Results of the analysis presented in Table 3.2 show that all NPVs calculated using a 12% annual rate of discount are positive and quite substantial ranging from a NPV of about US \$7.25 million for Scenario 1, when the estimated effect of the AAATA project on sales revenues and profits is unchanged to a NPV of about US \$5.37 million for Scenario 4 when the estimated impact of the AAATA project on sales and profits is 30% lower than estimated. Internal rates of return (IRR) calculated for these scenarios vary from 25% in Scenario 1 to 23%

in Scenario 4. These results clearly show that economic returns to the USAID investment in the USAID/IFDC program of assistance to Albania are substantial and very significant. These very positive results are obtained even when a very conservative criterion is used to calculate the economic benefits of the program and therefore lower-bound estimates of benefits are actually used in these analyses.

A key benefit of the AAATA project has been to establish an effective institutional foundation and base to improve the competitiveness of Albanian agribusiness enterprises in domestic and export markets. This is an important contribution of the project to future efforts and programs designed to accelerate and expand the entry and participation of Albanian agricultural and manufactured exports into global markets.

Implications for Development Assistance Programs

The following observations and implications for development assistance programs are made on the basis of the lessons learned and experiences gained in the implementation of the USAID/IFDC program of assistance to Albania:

- Development assistance programs to promote and accelerate the transition of centrally planned economies to market-driven economies should be based in clear and well-defined goals and objectives. These should be achieved through flexible project implementation approaches that allow for rapid adjustments to changing circumstances and emerging opportunities.
- Assistance for institutional development and capacity building involving the development of agribusiness trade associations as key sources of change and innovation can be a very successful approach to facilitate agribusiness and economic development in economies in transition in particular and developing countries in general. It is important to recognize, however, that the success (or failure) of this approach is significantly affected by the socioeconomic, cultural, and geopolitical circumstances that are present in a country at the time the project implementation is initiated.

- Human resource development is an inherited component of institutional development and capacity building. Investments in training and human capital should be included as explicit components of development assistance programs in these types of projects.
- Long-term efforts of support (8-10 years) by international donors and development agencies should be considered for the successful implementation of institutional development and capacity building projects. Specific activities of monitoring and evaluation should be included as components of these projects to document successes, identify shortcomings, and facilitate adjustments and changes in the emphasis of project implementation.

Appendix A

Methodology to Derive Estimates of Sales and Profits from Capital Investments

The methodology designed and used in this study to derive estimates of sales and profits associated with the impact of the AAATA project on the capital investment of targeted AEs or critical clients is described here. Given that apparently good data have been collected on the magnitude and nature of capital investments implemented by AEs as a result of project interventions and assistance, a methodology to derive estimates of impact on sales and profits is specified here to assess the economic impact of the AAATA project in Albania.

For this purpose:

I_i = capital investment in year $i = 1$, in US \$;

r = annual average rate of return on investment including depreciation, $r \leq 1.0$;

w = average profit margin as a fraction of sales associated with the capital investments facilitated by the project; and

S_i = sales revenues associated with the capital investments facilitated by the project in year i , where $i = 2, 3, \dots n$, in US \$.

Then, average annual returns (R) to capital investments implemented in year i , in US \$ per year, will be:

$R_{i+1} = I_i (r)$, for $i = 1, 2 \dots n$; and,

Average annual profits (p) resulting from investment I_i would be

$p_{i+1} = S_{i+1} (w)$.

A necessary condition for investment I_i to be financially successful and sound is to have

$p_{i+1} \geq R_{i+1}$, or

$S_{i+1} (w) \geq I_i (r)$, for $i = 1 \dots n$.

Where n is the lifespan in years of the capital investment I_i .

Then, for given values of r (average rate of return to capital investment) and w (average profit margin on sales), the minimum amount of sales that must be achieved to obtain satisfactory returns to capital investment is given by

$$S_{i+1} = I_i (r/w). \quad (1)$$

This methodology is used in Table A.1 to derive estimates of sales and profits associated with the capital investments implemented by the critical clients of the AAATA. The estimates presented in this Table are derived by using the in equation (1) the values of $r = 0.20$ and $w = 0.22$. That is, an average annual rate of return on capital investment inclusive of 20% depreciation and a profit margin on sales of 22%. Although the value of 20% adopted in the calculations as the average rate of return on investment (including depreciation and competitive returns to capital) implies a life span of the capital investment greater than 5 years, estimates of impacts of investments on sales and profits during only the 5 years following the year of investment are included in the calculations. Also, given that limited available information on sales and profits show profit margins that vary from 17% to 35%, a rather conservative profit margin of 22% is used to derive estimates shown in Table A.1. Therefore, the estimates presented in this study to assess the economic impact of the AAATA project in Albania and the overall USAID/IFDC development assistance effort in Albania should be considered as lower-bound estimates of the actual benefits and evident measure of the success of this program.

Table A.1. Estimated Impact on Sales and Profits Associated with the Capital Investments of Targeted Enterprises

ATA ^a	Industry	Indicators	Investments, Sales Revenues and Profits									
			1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
			('000 US \$)									
HABA	Horticulture	Capital Investment:	380	450	150	886	850					
		Sales (due to 1999 Invest.):	0	345	345	345	345	345				
		Sales (due to 2000 Invest.):			409	409	409	409	409			
		Sales (due to 2001 Invest.):				136	136	136	136	136		
		Sales (due to 2002 Invest.):					805	805	805	805	805	
		Sales (due to 2003 Invest.):						773	773	773	773	773
		Impact on Sales:	0	345	755	891	1,696	2,469	2,124	1,715	1,578	773
		Impact on Profits:	0	76	166	196	373	543	467	377	347	170
APFA	Poultry/Eggs	Capital Investment:	2,850	2,220	650	2,390	800					
		Sales (due to 1999 Invest.):	0	2,591	2,591	2,591	2,591	2,591				
		Sales (due to 2000 Invest.):			2,018	2,018	2,018	2,018	2,018			
		Sales (due to 2001 Invest.):				591	591	591	591	591		
		Sales (due to 2002 Invest.):					2,173	2,173	2,173	2,173	2,173	
		Sales (due to 2003 Invest.):						727	727	727	727	727
		Impact on Sales:	0	4,811	5,259	7,590	8,173	8,100	5,509	3,491	2,900	727
		Impact on Profits:	0	1,058	1,157	1,670	1,798	1,782	1,212	768	638	160
AOA	Olive Oil	Capital Investment:	60	150	950	155	700					
		Sales (due to 1999 Invest.):	0	55	55	55	55	55				
		Sales (due to 2000 Invest.):			136	136	136	136	136			
		Sales (due to 2001 Invest.):				864	864	864	864	864		
		Sales (due to 2002 Invest.):					141	141	141	141	141	
		Sales (due to 2003 Invest.):						636	636	636	636	636
		Total Impact on Sales:	0	55	191	1,055	1,195	1,832	1,777	1,641	777	636
		Total Impact on Profits:	0	12	42	232	263	403	391	361	171	140
ALBAFLOR	Herbs and Spices	No Capital Investment										
	Sub-Total Recent AAATA Focus	Capital Investment:	3,290	2,820	1,750	3,431	2,350	0	0	0	0	
Impact on Sales:		0	5,211	6,205	9,535	11,065	12,401	9,410	6,846	5,255	2,136	
Impact on Profits:		0	1,146	1,365	2,098	2,434	2,728	2,070	1,506	1,156	470	

Table A.1. Estimated Impact on Sales and Profits Associated with the Capital Investments of Targeted Enterprises (Continued)

ATA ^a	Industry	Indicators	Investments, Sales Revenues and Profits									
			1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
			('000 US \$)									
LEAA	Dairy Processing	Capital Investment:	500	150	70	430	150					
		Sales (due to 1999 Invest.):	0	455	455	455	455	455				
		Sales (due to 2000 Invest.):			136	136	136	136	136			
		Sales (due to 2001 Invest.):				64	64	64	64	64		
		Sales (due to 2002 Invest.):					391	391	391	391	391	
		Sales (due to 2003 Invest.):						136	636	636	636	636
		Impact on Sales:	0	455	591	655	1,045	1,182	1,227	1,091	1,027	636
		Impact on Profits:	0	100	130	144	230	260	270	240	226	140
AMPA	Meat Processing	Capital Investment:	118	170	330	1,050	350					
		Sales (due to 1999 Invest.):	0	107	107	107	107	107				
		Sales (due to 2000 Invest.):			155	155	155	155	155			
		Sales (due to 2001 Invest.):				300	300	300	300	300		
		Sales (due to 2002 Invest.):					955	955	955	955	955	
		Sales (due to 2003 Invest.):						318	318	318	318	
		Impact on Sales:	0	107	262	562	1,516	1,835	1,727	1,573	1,273	318
		Impact on Profits:	0	24	58	124	334	404	380	346	280	70
AFPA	Fish Production Processing	Capital Investment:	0	0	0	400	0					
		Sales (due to 1999 Invest.):	0	0	0	0	0	0				
		Sales (due to 2000 Invest.):			0	0	0	0	0			
		Sales (due to 2001 Invest.):				0	0	0	0	0		
		Sales (due to 2002 Invest.):					364	364	364	364	364	
		Sales (due to 2003 Invest.):						0	0	0	0	
		Impact on Sales:	0	0	0	0	364	364	364	364	364	0
		Impact on Profits:	0	0	0	0	80	80	80	80	80	0

Table A.1. Estimated Impact on Sales and Profits Associated with the Capital Investments of Targeted Enterprises (Continued)

ATA ^a	Industry	Indicators	Investments, Sales Revenues and Profits									
			1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
			('000 US \$)									
UPM	Flour Milling and Wheat	Capital Investment:	90	270	4,000	0	0					
		Sales (due to 1999 Invest.):	0	82	82	82	82	82				
		Sales (due to 2000 Invest.):			245	245	245	245	245			
		Sales (due to 2001 Invest.):				3,636	3,636	3,636	3,636	3,636		
		Sales (due to 2002 Invest.):					0	0	0	0	0	
		Sales (due to 2003 Invest.):						0	0	0	0	0
		Impact on Profits:	0	82	327	3,964	3,964	3,964	3,882	3,636	0	0
		Impact on Profits:	0	18	72	872	872	872	854	800	0	0
	Total ('000 US \$/ year):	Capital Investment:	3,998	3,410	6,150	5,311	2,850					
Impact on Sales:		0	5,855	7,385	14,715	17,954	19,745	16,610	13,510	7,919	3,091	
Impact on Profits:		0	1,288	1,625	3,237	3,950	4,344	3,654	2,972	1,742	680	
	Total Cumulative ('000 US \$):	Capital Investment:	3,998	7,408	13,558	18,869	21,719					
Impact on Sales:		0	5,855	13,239	27,955	45,908	65,653	82,263	95,773	103,692	106,783	
Impact on Profits:		0	1,288	2,913	6,150	10,100	14,444	18,098	21,070	22,812	23,492	

a. Agribusiness Trade Associations.

Appendix B. Contractual Description of AAATA Program

II. Program Description

1. Introduction

Albanian government institutions and financial services cannot effectively assist agricultural development today. This situation is unlikely to significantly improve over the next 5 years. The political, social, and economic collapse in 1997 resulted from many factors which were brought to a head by the collapse of corrupt pyramid financial schemes and the huge loss of private savings.

Given this chaotic situation, as other projects failed, direct donor support intervention to the private sector through farmer associations, and especially agribusiness trade associations by USAID projects, has been demonstrated as one of the most effective tools to stimulate agricultural development in Albania.

Competition and accumulated profits, reinvested and leveraged, provide the driving force for technical, economic, and social progress. Entrepreneurs, through shared experiences in trade associations, develop a group dynamic that hastens and sustains development. When this is supplemented with provision of counseling and technical assistance to individual entrepreneurs, enduring business and technical development of agribusiness is achieved.

2. Program Goal, Purpose, and Objectives

This program is market-based and focused. The goal is to put in place agricultural trade associations and systems within such associations so that they can become self-sustainable and effective mechanisms for the development of the agricultural sector. The program

purpose is to improve the output and profitability of Albanian agriculture. It integrates the following objectives:

- Develop and expand agribusiness trade associations (ATA) on a sectoral basis to increase agricultural productivity and efficiency in an environmentally sound manner.
- Assist individual agribusiness entrepreneurs in appropriate technology and business management.
- Provide credit access for small and medium agribusiness.
- Establish credit unions to mobilize agribusiness savings.
- Provide limited assistance to government agro-processing regulatory and technical services.
- Improve trade contacts for marketing agricultural exports and procuring agro-processing equipment.

3. Program Results

Program activity will most directly affect USAID/Albania's intermediate result (IR) 1.3.3 (accelerated growth and development of private enterprises) and results will be measured as:

- Agricultural trade association membership paying dues, by gender.
- Number of new agribusiness investments.
- Financial sustainability, i.e. proportion of agricultural trade association expenditures from domestic sources.
- Quantity of credit provided through trade associations at commercially viable terms.
- Quantity of savings mobilization created and credit disbursed through trade association credit unions.
- Policy improvements achieved by trade association advocacy.

4. Program Rationale

The application builds on proven IFDC successes in Albania; on current project cooperation with USAID and other donor agricultural sector credit and agribusiness projects; and, most significantly, on the trust established between IFDC and individual private agribusiness entrepreneurs and the Government of Albania (GOA).

IFDC recognizes the different needs of agro-processing enterprises and nontrade associations compared to those of inputs suppliers and will be innovative in adapting the AFADA association model to other associations.

5. The Program Team

Experienced, strong, and complementary partners have joined with IFDC to form an integrated team that will achieve sustainable results in the still fragile Albanian social and economic context. Each one of these partners brings specialized skills and cost-sharing capacity to the program needs. IFDC has also established commitments from organizations (Table 1) to participate with the program and provide resources to enhance result achievement.

5.1 International Fertilizer Development Center (IFDC) has a solid track record in Albania for achieving results by mobilizing the private sector through agribusiness association development. IFDC has extensive experience in assisting agribusiness development, particularly in Albania and Bangladesh. As program leader, IFDC brings a clear vision to the role of developing agricultural productivity through trade associations based on experience gained and results achieved.

5.2 World Council of Credit Unions (WOCCU) is the apex organization of the international credit union system, which encompasses credit unions and related cooperative financial institutions in 86 countries. It is helping to create totally new credit union systems in Macedonia and other countries in the region. WOCCU brings this experience to develop trade association credit unions in Albania.

5.3 Collaborative Agribusiness Support Program (CASP) draws on a broad pool of agribusiness development expertise and experience in its five participating institutions. CASP provides broad post-harvest expertise to promote and support processing and marketing of crop and animal products. One of the partners, Mississippi State University, has previously worked with IFDC in Albania.

5.4 Albanian American Trade Association (AATA) serves as a clearing house of information for U.S. businesses interested in Albanian trade and investment. AATA has worked in Albania to develop municipal economic development strategies.

Appendix C. Contractual Description of AAATA Program Modification

Modification #05
Cooperative Agreement No. PER-A-00-99-00001-00

ATTACHMENT A

Program description

January 15, 2002 through Jan 15, 2004

A. Purpose

In January 1999 USAID awarded a Cooperative Agreement (CA) to IFDC to implement the Assistance to Albanian Agricultural Trade Associations (AAATA) project. Under the terms of RFA, funds were provided for an initial period of three years, with an option for two additional years. The proposed extension of two years will coalesce and extend the project's achievements that produce successful and notable legacies for USAID in two areas critical to agribusiness development and economic growth in Albania. These two critical areas are:

1. **A sustainable institutional framework that will:**
 - Enable private sector trade associations to provide effective advocacy and services to support the business, technical, and management requirements of their members.
 - Build capacity within selected government agricultural services to support small and medium enterprises (SMEs) of private sector agribusiness.
2. **Agro-industry clusters and pilot SME enterprises that will provide the example and momentum for sustained growth in agribusiness, including updated technology, replacement of many imported food products, and export capability within four focused segments – greenhouse fruit and vegetable production, field fruit and vegetable production, poultry and associated feed industry, the olive sector, and herbs and spices.**

The extension will allow the additional training and technical assistance needed to build a financially sound base for the recently formed Association and Business Management Center (ABMC), which has two functions—association management and commercial and technical assistance. In addition, the extension will continue support to the Ministry of Agriculture and Food Statistical Unit. Continuation of the Statistical Unit will enable agriculture producers to use real-time market data for business forecasting and crop selection.

B. Program Activities and expected Results

The activities under the extension will contribute to three IR-s SO 1.3 framework plan, specifically Export Capability Increased, Processing and Production Improved and Agricultural Associations Become Sustainable.

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With the proposed extension, IFDC will shift more emphasis and resources to activities that directly support agribusiness development in a focused, strategic manner. IFDC will devote approximately 60% of project resources to agribusiness development and the residual to association and other institutional development. The goal for the extension is to build up solid and enduring model agribusiness clusters based on the foundation established and on the techniques and tactics that have been validated by sectoral studies and economic analysis, such as on the comparative advantage of particular horticultural crops, and of course, by the agro-entrepreneurs themselves. The Statistical Unit contribution to agribusiness development enables producers and processors to draw on reliable and real-time market information.

The first main focus of the extension is **Institutional Strengthening, Capacity Building, and Sustainability of Agricultural Trade Associations**. There are five main components in the program to develop sustainability of effective trade associations—KASH, the ABMC, the Agribusiness Expert Council, association credit unions, and private sector extension services (PSES).

KASH is emphasized because it represents a powerful mechanism for influencing policy reform and improving the business climate. The ABMC will serve as the business and technical service organization for the trade associations. Agribusiness Expert Council will be changed into a legally registered Foundation aligned with the ABMC and broaden its mandate to become a think tank for Albanian agribusiness development.

Private Sector Extension Services have been demonstrated to be effective change agents for the AFADA membership and their customers. There is a high level of interest in credit unions in Albania from both the private sector and government. In part this is due to the demonstrated capability of groups to voluntarily and successfully run Credit and Savings Associations (CSAs). Trade association CSAs will be further supported, having demonstrated their usefulness in providing safe and reliable savings depositories for association members, and consumer loans.

IFDC will seek to improve the functioning and role of the research institutes (VRI, FRI and ARI) in improving food quality and safety standards in Albania. This is essential especially for the development of export markets. The capacity of the Policy Unit will be cost effectively improved by using the IFDC economists in conjunction with their work for KASH to provide in-depth analysis and high-level research based on data being collected by the DSI and Statistics Service of the Government.

The recently formed AMCHAM in Tirana will be subcontracted to conduct two trade fairs during the project extension to promote agribusiness trade in commodities and supplies between the United States and Albania and provide assistance with the Global Trade Network and to improve advocacy efforts. As a follow up to the

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business survey recently conducted in Albania by AATDA, it is proposed that AATDA will be subcontracted to work with AMCHAM and IFDC to promote and organize trade missions from the United States to Albania for business clusters within the areas of focus and reciprocal trade mission arrangements when and where appropriate.

The second focus of the proposed extension will be on **Agribusiness Development**. The program to foster agribusiness development and establish the base for industry clusters and commodity value chains will center on two intertwined, proven approaches:

- a) Removing critical constraints to development in the four selected key subsectors, namely greenhouse vegetables, field fruits and vegetables, poultry and olives/edible oils: and
- b) Assisting individual progressive entrepreneurs to succeed as examples for attracting investment funds from domestic and overseas sources.

During the extension period, IFDC plans to concentrate more resources, including the Vlore and Fier offices, in the southern region where the bulk of key sub-sectors are located. IFDC will continue the productive partnership begun in 2000 with AGRIDEV the Israeli nonprofit organization that provides hands-on expertise. AGRIDEV is expected to continue to assist in making market/product connections to outside buyers of Albania's products. Target markets include the Balkans, Switzerland, Germany, the United States, and Israel. The project will also enlist other specialized local and foreign agro-processing consultants to upgrade skills, equipment, and techniques and to complete transactions for the project clients. IFDC proposes two additional new activities.

1. Development of the Albanian Spice and Herbal products sector.

In keeping with the structure of the AAATA extension, the two primary objectives of this proposal are:

- a. To develop a sustainable institutional framework for the industry through the establishment of the Albanian Spice and Herbal Products Association to provide effective advocacy and services to support the business, technical, and management requirements of members.
- b. To develop industry clusters and pilot enterprises that will provide the example and momentum for sustained growth, introduction of updated technology, and redevelopment of export markets.

The specialized technical and marketing support required for the program would be supplied by FFF Associates, Inc., led by Mr. Peter Furth and Mr. D. Cox. The main technical and market components will Quality, Sanitation, Processing, Quality Control, and Warehousing, Market Information and Intelligence, International Trade Training,

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Market Promotion. Transport, Development of New Export Products,
Environmental Protection.

2. Support for the National Albanian Farmers Union (BKFSH).

The National Albanian Farmers' Union (BKFSH) was established in 1994 to bring farmers together in an association that could address their concerns regarding the economy and with policies directly related to agriculture.

Today, the organization is active throughout Albania, with a membership of 25,000 farmers. The organization is a member of KASH.

IFDC will engage two professional and one support staff for two years to enable BKFSH to set up member databases, conduct regional meetings, establish services such as surveys for the MOAF and donors that generate non-dues revenue, prepare advocacy positions, write publications and media placements, and in general create a critical mass of awareness among potential members. To save money and improve linkages, the plan would be for BKFSH to join ABMC and to rent space and equipment at their office.

The IFDC will work to strengthen BKFSH as an association, educate the board and committee leaders on association management practices, set up accounting and member databases, boost membership, establish linkages with GOA institutions and donor/NGO organizations that can pay for services, establish a newsletter to keep farmers informed on issues of concern to them, survey the members, and represent their positions.