

Kosovo Agribusiness Development Program

Completion of Project Report

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IFDC

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Acronyms and Abbreviations

ABK	American Bank of Kosovo
ABU	Agribusiness Unit (part of EAR)
AKA	Alliance of Kosovar Agribusinesses
CCSO	Canadian Co-operation Support Office
CORDAID	Catholic Organization for Relief and Development
CPP	crop protection products
DAP	diammonium phosphate
EAR	European Agency for Reconstruction
EU	European Union
ha	hectares
IFDC	An International Center for Soil Fertility and Agricultural Development
kg	kilograms
KADP	Kosovo Agribusiness Development Program
MAFRD	Ministry of Agriculture, Forestry and Rural Development
NGO	non-governmental organization
SHPUK	Kosovo Association of Poultry Producers and Feed Manufacturers
SHMK	Kosovo Flour Millers Association
UNMIK	United Nations Mission in Kosovo
USAID	United States Agency for International Development

Note: This final report is intended to highlight the main objectives, achievements, lessons, and problems of the project. Details of KADP operations, activities, expert reports, and technical accomplishments are available in the monthly and quarterly project reports and the annual work plans submitted to USAID.

Kosovo Agribusiness Development Program

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Executive Summary

The USAID/IFDC Kosovo Agribusiness Development Program (KADP) began in June 2000 as Kosovo was emerging from the humanitarian crisis following the war and return of refugees in mid-1999. There was no clear strategy for reconstruction of the agricultural sector, which accounted for 35% of GDP and 60% of employment. Many challenges faced the new Kosovo because it had to adjust not only from the crisis but also from decades of a communist system and of “silent destruction.”

Among the many constraints facing the rebuilding of the agricultural sector, USAID asked IFDC to focus on addressing the absence of:

- A market system for agro-inputs, due in part to the loss of previous suppliers.
- Technology transfer mechanisms to farmers to increase low crop yields.
- Favorable policies and regulatory framework to stimulate agribusiness.
- Access to credit for agro-input dealers and agribusiness in general.
- Trade associations and other mechanisms to introduce, promote, and sustain change.

The purpose of KADP was to address those constraints in a well-focused and realistic manner, to serve as a beacon of private sector led development in the rural sector, and help establish effective backward and forward linkages using trade associations as the catalyst. With the USAID grant funds totaling \$4.2 million over a 32-month period, IFDC exceeded all the targets and results indicators. Notable achievements of KADP include the following:

- Strengthened three nascent trade associations, established an Alliance of Kosovar Agribusinesses (AKA) of agricultural trade associations as the main voice of private agribusiness and provided them the tools for effective advocacy and influence and for financial and member service sustainability.
- Developed policy advice on issues affecting agriculture including taxation, trade, regulation of inputs, commercialization of state and “social” land and assets, and food safety and quality control. The recently elected Kosovo government has adopted many of the AKA positions.
- Initiated the elimination of tariffs on fertilizer and drafted fertilizer legislation.
- Implemented an extension and field demonstration program that helped Kosovo significantly increase yields of its main crops (wheat by 29% and maize by 25%, for example) and introduced new crops, e.g., soybeans.
- Introduced modern technologies through farmer field demonstrations and other means that produced yield increases of 69% and net added income of \$200/ha for wheat and 150% and \$726/ha for maize.
- Helped an estimated 7,000 farm family participants in the extension program increase their average income by over \$350, by developing packages of technologies and introducing improvements in farm management.

- Increased availability and use of agro-inputs (fertilizer use climbed from 40,000 to 71,000 tonnes, commercial seed from 16,000 to 43,900 tonnes, and crop protection products [CPP] from 25 to 80 tonnes).
- Led to a doubling of egg production to 160 million, reducing Kosovo's dependence on imported eggs by nearly 50%.
- Helped generate \$16 million in credit for agribusiness enterprises and \$15 million in agribusiness investment. The project leveraged \$227,000 in other grants, and \$250,000 in dues and service fees from project-led trade association activities.
- Spurred agro-input sales increases of 64% from the 2000 base year to \$18 million in 2002, flour production by 74% to \$11.7 million, and eggs and milled feed by 50% to \$16.8 million.
- Stimulated the assisted enterprises to double employment to 2,000 people.
- Expanded regional and international trade and other networks for clients.

The USAID/IFDC project was only one of many players involved in the recovery and reconstruction of agriculture in Kosovo. The United Nations Mission in Kosovo (UNMIK), the European Union (EU), the World Bank and other USAID partners and donors exerted varying influence on fiscal, privatization, trade and other policies that shaped the environment for agribusiness.

KADP, however, was uniquely successful and influential among donor agriculture-related projects. In an 8-month emergency phase ending just before KADP began, IFDC was able to establish the three trade associations that became the core of the new program and to develop ties to private agribusiness and key farmers. For example, IFDC:

- Was able to make an immediate impact based upon the lessons and success of the USAID/IFDC projects in Albania and on the ethnic and geographic ties, which accelerated the process of training, trade, technology transfer, association formation, and agribusiness development.
- Developed strong trade associations that provided vectors for change, industry clusters, private sector extension services, and consolidated procurement.
- Promoted the establishment of AKA, which now has an important voice in agricultural policy and ensures a private sector viewpoint in government deliberations and decisions. This institutional capacity building will yield enduring results in policy advocacy.
- Established effective collaboration with the Ministry of Agriculture, Forestry and Rural Development (MAFRD), USAID partners, the EU and others that helped build sustainability of extension services, raise significant commercial credit, and leverage the EU/European Agency for Reconstruction (EAR) fertilizer and seed import program.
- Set the stage for developing a feed grain-milling-poultry commodity chain.
- Helped minority groups gain access to agro-inputs and reached thousands of women through the vegetable producer and beekeeper trade associations.

Kosovo faces many challenges in the process of becoming a competitive player in the regional and global agricultural scene. The legacy of KADP is that it helped provide private agribusiness and farmers with proven tools to increase production and influence, and the public sector with more effective techniques and approaches to support agricultural development.

Kosovo Agribusiness Development Program

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Introduction

Agriculture is the primary sector in the Kosovo economy—accounting for 60% of employment and 35% of GDP. The total land area of Kosovo is 1.1 million ha, of which 408,000 is arable. All but 4% of the arable land is privately owned and dominated by smallholder subsistence farmers. The main crops are wheat, maize, and forage. Productivity has been low due to little use of modern inputs, outdated technology, mono-cultural cropping, unclear land ownership, and little access to credit. An estimated 8% of farms are larger than 10 ha

Additional hurdles faced farmers and agribusinesses when the USAID-funded and IFDC-managed KADP began in June 2000. State and socially owned agro-enterprises and support services were essentially bankrupt and characterized by old-fashioned management. Moreover, border taxes on agro-inputs were 26.5%, Kosovo was a regional “dumping” ground for agricultural products from the region, and there was a reluctance to change to the new world of competition and open markets.

Despite the many challenges, USAID and IFDC believed that growth of agribusiness in Kosovo was both possible and essential as the engine of growth for the economy. An IFDC-organized seminar in mid-2001 on the future of agriculture in Kosovo attended by 130 leaders in the sector concluded that Kosovo should be a market-driven private sector led economy and that Kosovo needed to move quickly to:

- Establish a favorable policy and regulatory regime for business.
- Upgrade technology and develop value-added commodity chains.
- Identify new markets and promote regional trade.
- Develop private sector associations and support services.

IFDC made good progress during the USAID-funded Kosovo Emergency Agro-input Program (October 1999-May 2000) in establishing three trade associations that were already serving as beacons of private agribusiness development by providing a network for the supply of agro-inputs, establishing trade associations and private sector extension services, analyzing critical policy issues and priorities, providing market information and regional linkages, arranging for access to credit for clients, and making valuable contacts.

It was reasonable, therefore, for IFDC to propose and for the USAID Mission to agree to a larger program that built on the initial successes and systematically aimed to reduce and eliminate constraints to establishing an economic and policy environment conducive to agricultural development. KADP was designed to accomplish four main objectives:

- Develop the three nascent trade associations into effective and sustainable providers of services to members and farmers and private sector advocates.
- Recommend priority policy reforms and organize advocacy.

- Increase yields of key crops by improving the supply of modern inputs and by transferring upgraded technology to progressive farmers.
- Stimulate the growth of agribusinesses by improving access to credit, business and technical training, and hands-on technical assistance.

Initially a 2-year project, KADP was extended to 32 months, and the grant budget amount was increased to \$4.2 million. This allowed IFDC to work to: (a) consolidate and strengthen the sustainability of the federation of six agricultural trade associations, and (b) improve the capability of the associations to work with the Ministry of Agriculture and other institutions to continue the extension, trial, and farm demonstration work of KADP. The project extension was also intended to enable a smooth transition to a new USAID program for agribusiness development, including a project that would support agricultural production in key sub-sectors.

The project focused on four key elements as drivers for agribusiness development. They were trade association development, policy analysis and reform, technology transfer, and promotion of agribusiness and credit. The following four sections contain a brief summary of the activities, including achievements and lessons, for each component.

“KADP represents our major investment in agriculture in Kosovo, and the project has achieved significant results in a relatively short time.” – USAID Mission Director Craig Buck on June 14, 2001, at a seminar in Pristina.

I. Trade Association Development

A. Activities and Accomplishments

The trade association development component served as the basic tool and driving force of the project structure and the catalyst for progress in the other three areas. The objectives for association development were to: (1) develop market-based trade associations, and (2) strengthen the membership and capacity of agricultural trade associations so they could better provide membership services, achieve financial viability, and effectively represent agro-enterprises on policy issues.

Especially in an emerging and volatile environment such as Kosovo, agricultural trade associations represent the best way for individual firms to have their voices heard, shape an industry identity, achieve economies of scale in procurement and advertising, communicate with colleagues, learn about market information and new developments, and develop systems for delivering valuable business support services.

The objectives for trade association development included establishment of an Association of Kosovar Agribusiness (AKA), increased dues-paying membership, and revenue from other sources. Although the number of association members in the original three associations declined with industry consolidation, the number of dues-paying members increased to 159 (meeting the project target of 66% growth in dues-paying membership); and they represented over 80% of the market in their respective industries.

The project expanded AKA membership by three additional trade associations not anticipated in the terms of reference. Thus, the project significantly enhanced the effectiveness of AKA and the influence of private sector agribusiness. The introduction of democratic elections and responsive governance in the associations helped develop local capacity and demonstrate the western model for institution building.

The umbrella advocacy association AKA, founded in September 2001, initially united five agribusiness trade associations to develop and present their policy positions. The five included the three KADP-supported associations covering almost all commercially important agro-input dealers, poultry producers and feed millers, and wheat flour millers; and two independent associations—the Drini Valley Vegetable Producers Association (50% of whose members are women) and the League of Beekeepers of Kosovo (10% of whose members are women and a significant number are minorities).

In late 2002, AKA assisted the milk producers and processors of Kosovo to form an association and become the sixth member of AKA, bringing total membership to over 3,000 agro-enterprises. Other groups interested in joining AKA include the meat producers, machinery providers, and bakers of Kosovo.

The members attended monthly association meetings, paid dues, served on committees, and participated in extension and other KADP-supported association activities because they recognized a benefit in doing so. As a result of the various training programs, business plan and access to credit assistance, trade missions, consolidated procurement programs, visiting expert advisors, and the demand being created in part by the project, member firms generated more sales, and farmers benefited from better access to inputs.

For example, during the first 2 years of the project (from May 2000 to May 2002):

- Fertilizer use increased from 40,000 to 71,000 tonnes (the target was 70,000).
- Commercial seed sales grew from 16,000 to 44,000 tonnes (the target was 30,000).
- CPP use grew from 25 to 80 tonnes (the target was 75).
- Egg production doubled to 160 million eggs.
- KAPD introduced 8 new fertilizer products and 17 seed varieties.

Membership in the KADP-supported associations opened access to new sources of credit. KADP helped members of the agro-input dealers association and the poultry/feed association to obtain loans from a Dutch non-governmental organization (NGO) called the Catholic Organization for Relief and Development (CORDAID). Association members joined together to obtain significant loans from the EU agricultural bank.

The training and preparation of business plans helped dozens of clients obtain loans from the American Bank of Kosovo (ABK). Similarly the project and trade association support encouraged members to invest millions of dollars in reconstruction and expansion. (Section V provides the numbers.)

The early success of the agro-input dealers' association enabled IFDC to win agreement from EAR to conduct an auction and training for dealers for 18,000 tonnes of fertilizer for monetization for the wheat season in the fall of 2000. IFDC prepared a comprehensive training manual, conducted orientation seminars for 150, and worked with 32 successful bidders. IFDC also assisted EAR in the distribution of 17,500 tonnes of fertilizer during the spring of 2001.

In addition to the significant leveraging of USAID resources, the IFDC role ensured that the EAR donation was handled in a market-friendly way that strengthened the role of private sector dealers and gave them access to much-needed and scarce working capital. IFDC monitored the distribution and used the opportunity to introduce new fertilizer products. IFDC also won a contract with the EAR to handle the distribution of 3,500 tonnes of high-quality maize and potato seed.

KADP staff organized three workshops on regional trade and helped the associations to organize a dozen delegations to develop trade linkages with neighboring countries and to attend agricultural fairs. In addition to the benefits of exposure and new business, the associations charged for their services, thus generating over \$75,000 in non-dues revenue.

In mid-2002, AKA representatives and project staff began developing a blueprint for the long-term sustainability of the organization. The aim was to enable AKA to provide the advocacy, business advisory, and extension services currently supported by the USAID/IFDC project on a fee-for-service basis.

The strategic plan incorporated an assessment of strengths and weaknesses of AKA and a structure and budget for a core team, with an 18-month plan for financial sustainability. The project staff also advised AKA on a successful application for a \$10,000 grant under a USAID advocacy grant program for local NGOs.

The project produced a well-received monthly newsletter as a means to share information on market conditions and appropriate technologies and to build association identity. It also serves as a source for advertising revenue, which should enable AKA to continue publication of the widely read journal of current agricultural news.

Tailored relevant training of association members and seminars continued throughout the project. For example, during the last 6 months there were 11 fertilizer-related training workshops in various regions in which 470 dealers participated. In cooperation with the Crown Agents, the project staff provided a complete training program for selected dealers on the safe use of crop protection products. This was the first such effort in Kosovo.

The project organized a study tour to the United States in February 2002 for the executive directors of the trade associations to expose them to the procedures and operations of their U.S. counterparts. The Kosovars visited the Agribusiness Association of Iowa and traveled with their leaders to Washington, DC, where the Iowa Association made a lobbying visit to the White House.

B. Impact, Problems, and Lessons Learned

AKA in 2002 helped the beekeepers' association to obtain a \$55,000 revolving fund to purchase treatment for a bee parasite, which was killing one-third of the bees annually. As a result the association was able to help 4,500 beekeepers (Kosovar Albanians and Serbs working together) to treat 43,000 hives. The successful treatment produced an additional 65,000 kg of honey with a market value of \$327,000 in 2002.

The three trade associations directly assisted by the project have emerged as effective, democratic institutions that understand the benefits of group action and are dedicated to serving their members. The AKA federation has had an important impact on the development of policy and agribusiness in Kosovo. It is the primary advocacy voice of private agribusiness and has gained the attention of politicians and decision-makers. AKA and its member associations have successfully conducted three democratic elections and changes of leadership and are functioning effectively in their capacity of policy advocacy.

The project provided extensive and continual training to 308 association members and helped them save \$6.32 million by organizing larger consolidated purchases and realizing economies of scale.

In addition to establishing solid agricultural trade associations, a main purpose of KADP was to assist the associations to become effective and financially viable after the project ended. The idea was for IFDC to disengage management assistance and support for the three core associations and AKA under the KADP umbrella and to transfer responsibility for the other three associations operating within AKA to other projects and AKA itself.

The keys to success include continuous training in all aspects of association management, business and technical training, and of course real benefits to members, including access to credit, joint procurement, trade missions, and policy improvements. Alliances with counterparts in Albania helped accelerate the graduation process. Engaging the media as a partner was critical in building the group image and raising the profile of AKA.

As indicated in the above section, great strides were made toward financial sustainability. Guided by individual business plans and an overall strategy, the three assisted associations and AKA raised \$18,600 in dues and \$76,600 in non-dues revenue during the project. To capture economies of scale and avoid duplication, AKA will consolidate and handle many of the functions performed earlier by individual trade associations. In mid-2002 an independent consultant conducted the association assessment developed by the Center for International Private Enterprise of AKA sustainability and gave it a fairly high rating of 78%. Many of the evaluation concerns have been rectified, e.g., job descriptions, policy and training manuals for staff.

It is always a challenge for trade associations to provide services of value to their members and to generate sufficient non-dues revenue to maintain financial stability, especially in places like Kosovo where members have come to expect free services. IFDC had hoped to extend the preparation period for the fledgling associations and encouraged AKA to prepare proposals aimed at securing additional donor funds.

II. Policy Analysis and Improvement

A. Activities and Accomplishments

IFDC adopted a three-phased approach to addressing agricultural policy issues.

- Initially, short-term policy experts were engaged to study key issues affecting the recovery and modernization of agribusiness. The project staff then organized seminars and distributed the findings and recommendations and sometimes made direct approaches to the authorities with trade association members.
- In the second phase, with the involvement of a project policy advisor, KADP shifted the focus to AKA – providing training to help identify policy priorities, developing a policy action matrix, undertaking economic analysis, marshalling arguments, and advocating effectively, including using the media and political influence.
- In the third phase, AKA was given the lead role in pursuing policy reform and in seeking grants and strategic alliances to support its efforts.

IFDC brought in 10 short-term consultant policy experts who each produced a paper with analysis and recommendations and held a workshop for key decision makers in the private and public sectors. This program achieved the KADP objectives of encouraging and enabling effective trade association advocacy and building capacity so that private agribusiness could develop and advocate appropriate policy reform initiatives.

Examples of outputs include an assessment of and some successes in changing the UNMIK taxation on agricultural inputs, draft legislation and regulations for fertilizer, and well-researched analytical documents on the “Establishment of a Level Playing Field for Kosovar Agricultural Products” and on “Promoting Effective Use and Protection of State and Socially Owned Farmland in Kosovo.” AKA subsequently launched a drive to improve regulations and enforcement on food safety and quality control.

With project help, AKA organized study tours to Albania and Slovenia to make contacts and to observe public-private interaction in the formation of agricultural policy on issues of specific concern to AKA members, such as fiscal and trade reforms and quality control. The project organized a press event in November 2001 to publicize an AKA-developed resolution to agricultural representatives of the political parties prior to Kosovo’s first elections since the conflict.

AKA assisted the Kosovar Parliamentary Committee for Agriculture in setting its legislative agenda and organized a visit of the Parliamentary Committee from Albania to exchange experience and enhance regional integration. A leader in promoting regional trade, AKA helped organize a 2-day agricultural workshop and business-to-business event in Pristina in June 2002 aimed at facilitating the integration of regional markets for agricultural inputs and produce.

The project target was to achieve one policy success per association. Examples of results include:

- In response to IFDC intervention, UNMIK reevaluated tariffs and taxation on imported fertilizer and flour. The 10% customs duty on fertilizer was eliminated and the anomaly that charged more duty on wheat than on flour was corrected.
- AKA and the miller association conducted a comparative analysis with other countries and lobbied for fairer charge rates. As a result, the peak power penalty charges to flour and feed millers were reduced by 30%.
- IFDC experts drafted legislation for fertilizer, and provided technical input for similar legislation and enforcement for seed and crop protection products.
- Project efforts encouraged the informal commercialization of idle state-owned land and other agricultural assets.
- AKA gained a seat on the Business Advisory Board to the influential think-tank, Riinvest.
- Elected legislators adopted AKA arguments, previously shelved by UNMIK as distortionary, for the need to counter unfair practices in regional trade.
- AKA received a \$10,000 grant to lobby for food safety and quality controls.
- An initial Memorandum of Understanding on trade liberalization was signed between the governments of Kosovo and Albania as a result of a joint representation promoted by the project.
- Helped decision makers and private sector leaders achieve consensus on the future of agriculture.

B. Impact, Problems, and Lessons Learned

KADP and the alliance of trade associations led by AKA achieved some significant breakthroughs on the policy front but not as many as hoped for. The project team faced many hurdles in trying to promote agribusiness-friendly reforms. UNMIK authorities, influenced by powerful institutions, adopted hard line positions that there should be no market distortions or fiscal exemptions. Moreover, there were policy and implementation differences among UNMIK, the Department of Agriculture, the Central Fiscal Authority, Customs, and others, making it difficult to conduct effective reform campaigns.

For example, AKA arguments for seasonal quotas in the face of subsidies and dumping of inputs and fruit, vegetables, and eggs by Macedonia were rejected. Weak UNMIK enforcement of illegal and contraband goods from Serbia made the situation more frustrating for legitimate Kosovar agro-entrepreneurs. Another example of the strict fiscal approach and an unsuccessful AKA effort is that the value added tax is applied to all agricultural inputs, even though the bulk

of farmers are subsistence and therefore do not sell any produce and cannot recover part of the tax as intended.

UNMIK resisted KADP/AKA arguments that state and socially owned lands should be commercialized and privatized so that the scarce land and assets could be brought into production. UNMIK argued that owners needed to be identified and rents placed in escrow. KADP drafted procedures on how to commercialize land but could not get the plan, based on Yugoslav legislation of the 1990s, implemented.

There are, however, unofficial deals between state-owned enterprises and individuals so that land is now being put into production. The project also encouraged commercialization of non-land assets and helped five clients obtain leases to re-start idle poultry facilities and feed mills.

Once Kosovars were elected to office in late 2001, the system became more politically responsive and receptive to AKA arguments and positions, many of which the new legislators and administrators have adopted and are likely to implement in 2003. The project therefore helped set the stage for the future and prepared AKA for a leading role.

III. Technology Transfer to Farmers

A. Activities and Accomplishments

The objectives for KADP, as agreed by USAID and IFDC, were to develop packages of new technologies, transfer technology to farmers and other producers via the agro-input dealers and other trade associations, develop technical materials, disseminate the results of on-farm trials and demonstrations, increase awareness of the potential and benefits of crop diversification, and develop sustainability by engaging MAFRD and others.

The results indicators for the project included Kosovo-wide average yield increases of 20% for wheat and maize, 40 field demonstrations, 4 extension methodology courses, and two surveys of the technical knowledge and transfer skills of agro-input dealers.

The targets were exceeded. Country average wheat yields increased by 29%, maize by 25%. The results on the project trials demonstrated the potential for twice those yields, and the thousands of smallholder farmers who adopted the improved technology packages far exceeded the average yield increases. One key improvement was to convince some farmers to shift to higher nutrient value urea and diammonium phosphate (DAP) fertilizer from the traditional NPK and calcium ammonium nitrate. The project also produced a weekly survey of agro-input and produce prices in Kosovo.

The project crop trial program initially focused on winter and spring wheat and maize. More recent trials also included soybeans and fodder crops and tested not only new seed varieties against traditional seed but also experimented to determine the optimal seed, fertilizer and herbicide rates in the two main agro-climatic regions of the territory. The project tested 85 new seed varieties and did value cultivation use trials of 34 varieties. An estimated 5,000 farmers,

agribusinessmen, and officials visited the demonstration plots during 2002. The results were also disseminated through the project association networks and the media (over 180 news clips and press articles).

KADP was recognized as the leader in field trial work in Kosovo. For example, in 2002 the Ministry of Agriculture requested project staff to help 200 farmers across Kosovo to plant the new maize varieties and another 133 farmers to plant new wheat varieties to ensure that the increased yields were replicable. In addition, two new wheat varieties identified by the project gained entry on the National Seed List of varieties authorized for sale and multiplication within Kosovo.

One of the ambitious targets for the project was to increase the income of 6,800 farm families by \$350 in 2.5 years. A MAFRD study released in December 2002 reported on the results of the participatory on-farm trials for which IFDC and the Kosovo Dealers of Agri-inputs Association supplied the inputs, selection of new seed varieties, and the technology. MAFRD reported that over 7,000 farm families adopted the improved packages, which resulted in increased net profits/income of 49% for wheat and 400% for maize. With an average farm size of 2.5 ha and traditional net income of \$275 from the farm, the MAFRD data indicate that wheat farmers gained \$135 and maize farmers \$1,000, thus exceeding the project target.

B. Impact, Problems, and Lessons Learned

KADP provided the main impetus for technology transfer and extension services in post-1999 Kosovo. The project was highly respected by experts and farmers alike and was given much of the credit for the yield increases. The poultry industry appreciated KADP work in improving the quantity and quality of local feed sources for their layers. A recent test indicated that the local feed was better than that imported from neighbors. The project facilitated communications between input suppliers and the milling industry by introducing new wheat varieties with grain qualities that met industry standards.

Before the project ended, IFDC implemented a plan for sustainability of the technology transfer functions, involving the private sector agro-input dealers and other trade associations as extension providers, MAFRD officials, NGOs, and other donors. IFDC plans to continue the lead in maize, soybeans, and sunflower under a new feed grain development project.

According to an IFDC economic impact assessment study of the project prepared in February 2003, the net added returns to land and other factors fixed in the short term amounted to \$15 million. The increased availability of fertilizer meant that 83,000 more hectares were fertilized and the use of the extra fertilizer generated an additional 216,000 workdays worth \$1.73 million and contributed to the conservation of cropland by preventing the loss of 10,000 tonnes of plant nutrients. If 50% of the increased use of fertilizer and improved seed is attributed to the project, the benefit/cost ratio is 2.28.

IFDC-supported farmer participation field trials demonstrated the production potential of adopting modern technology, such as using DAP and urea instead of the traditional fertilizers. Wheat yields increased 69% and produced a \$200 net return/ha, and the corresponding figures for maize were 150% and \$726/ha. The project implemented a crop diversification program by introducing soybeans and other forage legume crops suitable for the dry lands, thus providing an alternative source of inexpensive protein for the poultry and livestock industries.

The program succeeded because the dedicated and competent project staff quickly built trust with the farmers and the dealers and convinced both that field demonstrations were valuable and that the best practices KADP was promoting were realistic. Using the media extensively and as a partner helped bring attention to the field demonstrations and real life success stories.

The key here, as in the IFDC projects in Albania and elsewhere, was transforming private agro-input dealers' association members into extension providers. In a survey, three-fourths of dealers considered themselves, after KADP training, to have the technical knowledge and extension skills needed to help farmers.

The coordination and new variety testing with MAFRD will help in the future, but the Ministry is unlikely to conduct KADP extension work without donor support. The EAR seed project and planned extension project may be able to develop a MAFRD and municipality program with the Peje Institute of Agricultural Research.

IV. Promotion of Agribusiness and Credit

A. Activities and Accomplishments

The objectives for this component of the project were to develop feasibility options for selected enterprises, improve business skills and access to technology and market information, help clients increase investment and gain access to credit, and encourage diversification into new products.

The project undertook a range of activities to prepare and motivate potential agro-entrepreneurs, again using the trade associations as the base of clients and mechanism for delivering training, technical assistance, and access to credit. In addition to preparing 39 business plans, staff assisted with 15 marketing plans and 5 feasibility studies. Once the new USAID-funded Kosovo Business Support project was launched, KADP joined forces in providing business training and advice to the project clients and staff.

The project brought in international specialists on poultry production, greenhouse and irrigation equipment, and cropping technologies to assess needs and to provide practical advice to clients directly and through seminars. For example, project experts concluded that Kosovo had twice as much flour-milling capacity as needed and therefore urged diversification into feed milling and other endeavors.

IFDC and AKA exposed association members to new business practices and technology through trade missions. In 2002, for example, 11 trips were organized to businesses and trade fairs in the region. As part of the AKA sustainability drive, the delegates paid the full cost of their trips and a 10% organization fee to AKA. The project and AKA staff also ensured agribusiness representation at five business-to-business events in four territories in the region during the year. Over 50 AKA member businesses were involved.

Credit was critical to the business success of project clients and to the value they perceived in joining the trade associations. Finance for agribusiness was scarce in Kosovo after the conflict, and IFDC therefore quickly forged alliances with donor-funded credit schemes, such as CORDAID, the EAR, the Agribusiness Unit (ABU) of EAR, and the ABK. The project staff identified credit-worthy clients, helped them prepare business plans and loan applications, introduced them to the project-lending partners, and continued to monitor the loans and provide technical and business advice throughout the duration.

Project business development specialists assisted a consortium of 10 agro-input dealer association members in applying for \$2.3 million in credit for the purchase of over 8,000 tonnes of fertilizer in the fall of 2001. By successfully servicing their loans, nine consortium members qualified for a second tranche of financing for the import of 15,000 tonnes of spring fertilizers from Macedonia and Romania. By fall 2002, the association had established a relationship with a fertilizer plant in Macedonia and was able to finance the import of 10,000 tonnes of fertilizer for the autumn planting with revolving credit from the factory.

During 2002 the project helped 37 AKA association members prepare business plans and loan applications for the ABK, which extended \$700,000 in loans to 30 of the applicants. Project specialists also helped the flour millers association obtain \$40,000 in revolving credit from the Canadian Cooperation Support Office (CCSO) for machinery upgrades. As previously noted, the same organization extended a similar \$55,000 to the beekeepers' association to purchase treatment for mites.

As a result of the coordinated program of technical and business assistance, project clients were able to expand their enterprises.

- Members of the agro-input dealers trade association, in which KADP assisted 120 dealers, increased the volume of their business from \$11 million in 2000 to \$15 million in 2001 to \$18 million in 2002. Their investments over the 3 years of the project totaled \$4.3 million.
- Wheat miller association members expanded their business from \$6.7 million in 2000 to \$10.7 million in 2001 to \$11.7 million in 2002. Their investment during the project was \$5.3 million. Their work force increased from 460 to 543.
- The poultry producers' and feed millers' association experienced a fall in business in 2001 to \$10 million from \$11.45 million in 2000 due to an influx of subsidized eggs, but they continued to invest nearly \$6 million. The situation improved in 2002, when they achieved \$16.8 million in total sales and increased staff by 40% to 379.

B. Impact, Problems, and Lessons Learned

KADP was the first project of its kind in Kosovo and served as a beacon for private-sector-led agribusiness development. Using a holistic and practical support system centered on the trade associations, USAID and IFDC were able to pioneer paths and demonstrate the opportunities for Kosovar agro-entrepreneurs.

The \$30 million in investment and loans extended to project clients in the first 2 years of reconstruction clearly demonstrate the success of the approach and the implementation. The \$16 million in investment by project clients had a multiplier effect on the economy greater than one. Employment by client firms doubled over the project, increasing to 2000.

Credit was one of the main pre-occupations of the project – from finding willing lenders for project clients, to identifying and preparing bankable borrowers, to monitoring repayments and dealing with defaulters. Because of the socialist traditions and the influx of humanitarian aid after the conflict, Kosovars initially made little distinction between loans and grants. All donors and financial institutions faced problems of default, especially in the agricultural sector because of the many risk factors involved.

The project faced serious problems and disappointments regarding default by clients in the early phases. For example, of the 12 loans to agro-input dealers by CORDAID in the fall of 2000, only 7 have been repaid in full. Five dealers defaulted and were expelled from the association. Two of them are repaying, and three are involved in court proceedings. CORDAID provided loans to 13 project-assisted poultry producers, but only 38% of the total has been repaid, with the remaining balance being re-scheduled.

Despite regular monitoring and pressure, there were problems with some borrowers under the ABU loan. Over time, as the project helped the association members understand the nature of loans and obligations and collective responsibility, the record improved, but outstanding default on loans remains a problem.

IFDC was disappointed that its applications to the United States Department of Agriculture Food For Progress program in 2000 and 2001 for feed grain monetization in Kosovo were unsuccessful. The plan was to use the proceeds from sales to establish a revolving credit fund for poultry producers and feed millers to purchase additional feed in larger quantities and better quality.

After studying economics abroad Agim Sahiti returned to Kosovo in 1989 with no money or prospects. He began selling eggs, one carton at a time. Three years later he formed a company whose sole business was the wholesale distribution of eggs. By 2001 the firm had achieved an annual sales growth of 15% and had eight employees. He joined the Kosovo Association of Poultry Producers and Feed Manufacturers (SHPUK) and asked the IFDC project for help in starting his own egg production operation.

He rented an idle, socially owned facility, formed a business alliance with a firm in Albania, and purchased 25,000 layers. He doubled the number of layers 4 months later. He then joined with another Kosovar egg company and expanded the operation to 110,000 layers and 60 workers. The joint company now supplies 60% of the eggs for the Pristina market and 15% for the whole of Kosovo.

Sahiti has been very active in SHPUK and was elected vice-president. Agim and his staff participated in IFDC technical seminars and trade missions to Turkey, Albania, and Hanover. KADP helped him prepare a successful application for a \$50,000 loan in 2002 from the ABK and a new one he will submit shortly to ABK for \$300,000. His company is now one of the largest agribusiness firms in Kosovo.

Appendix 1

Reports Generated by KADP

KADP Work Plan for 2000-2001 (IFDC - May, 2000)

IFDC Kosovo Association Training Manual (prepared by Jim Stanelle – July 2000)

Auction and Training Manual to Facilitate the Implementation of Monetization of Fertilizers Procured by European Agency for Reconstruction in Kosova (prepared by Alain G. Vaes, August 4, 2000)

Training Manual for Fertilizer Auction Orientation Seminars (IFDC, July 2000)

Taxation of Agricultural Inputs in Kosovo: Policy Options for a Win-Win Resolution (prepared by Dr. Thomas L. Hutcheson, July 2000)

10 Quarterly Reports – June-August 2000 through September-November 2002.

31 Monthly reports – June 2000 through December 2002

Policy Issues Facing the Flour Industry in Kosovo (by Maurice Sullivan, October 2000)

Training Plan for Association Development in Kosova (by Chan Sieben, October 2000)

Status of Technical Work on Agricultural Policy and Recommendations for a Policy Framework for Kosova and Status of Technical Work on the Privatization/Commercialization of Agricultural Assets in Kosova (prepared by Rifat Barokas, November, 2000)

Exit Report on Association Development (by Dr. Ed A. Beaman, December 3, 2000)

Establishment of a Level Playing Field for Kosova Food and Agricultural Products (prepared by Adrian Neal, March 2001)

Agri-Business Alliance of Kosova Discussion Paper - Proposed Removal of Customs Duty on Specific Agricultural Products (with Adrian Neal, March 2001).

Agri-Business Alliance of Kosova Discussion Paper - Comparative Experience and the Implications for Kosova – (Summary of seminar proceedings, March 2001)

Promoting Effective Use and Protection of State and Socially owned Farmland in Kosovo (by Daniel Themen, April 2001)

KADP Workplan 2001-2002 (May 2001)

Summary of the Proceedings of the IFDC workshop on “The Future for Agriculture in Kosovo”
(June 14, 2001)

24 issues of the Gazeta e Aleances se Kosoves per Agrobiznes (newsletter)

Strategy Recommendation for Assistance to the Poultry Industry of Kosova (by Paul Aho, June 2001)

Priority Agricultural Policy Inquiries from the Perspective of the Alliance of Kosovo Agribusinesses (Policy paper by Paul Converse, June 2001)

Assessment of Existing Laws and Impediments to Privatization and Commercialization of Socially-Owned Agricultural Land (by Robert Cemovich. July 2001)

Final Report on Analysis of UNMIK Regulations and Pre-Existent Yugoslav Laws Related to Agricultural Land privatization/Commercialization in Kosovo (by Robert L. Cemovich, July 2001)

Roundtable on Legal Aspects of Commercialization and Privatization of Agricultural Land Summary of Proceedings (July 2001)

Summary of Policy Positions Adopted and Policies Implemented by UNMIK June 2000-May 2001 (July 2001))

Proposed Removal of Customs Duty on the Import of Specific Agricultural Products, August 2001

Report on Results of Winter Wheat Demonstrations in 2000/01 (August 2001)

Tax Reform and Agricultural Policy (Grabowski, October 2001)

Survey and Recommendation on Kosovo’s Horticulture Development Strategy (Agridev, November 2001 - Draft)

Report on Results of Spring Crop Demonstrations in 2001 (November 2001)

65 Technical Brochures (in Albanian)

KADP Amended Workplan 2002 and Proposal for Extension of Project (March 2002)

The Southeast European Stability Pact (Zyhdi Teqja, November 2002)

Current Situation and Suggestions for Continued Restoration of the Poultry Industry in Kosovo (Tomas Piu, December 2002)

KADP Results Summary October 2001-September 2002. (December 2002)

AKA Stability Plan (January 2003)

Results of the Demonstration Fields for Maize and Legume Varieties During 2002 (January 2003)

Results of the Demonstration Fields for Winter Wheat Demonstration Trial and Preliminary Results from Spring Wheat Demonstration 2001/2002" (January 2003)

Extension Sustainability Report (by Ray Clark, February 2003)

An Economic Impact Assessment of the USAID/IFDC Kosovo Agribusiness Development Program (by Carlos Baanante, February 2003)

Appendix 2
Training and Workshops

<u>Event</u>	<u>Number of Participants</u>	<u>Quarter</u>
Organization and Leadership for Association Leaders	20	June-Aug 2000
Basic Input Procurement	20	June-Aug 2000
Orientation to International Procurement	25	June-Aug 2000
Association Business Planning and Dues Structure	20	Sept-Nov 2000
General Business Management and Marketing	100	Sept-Nov 2000
Association Federation and Management	20	Dec-Feb 2001
Policy Advocacy	40	Dec-Feb 2001
Agricultural Fair in Greece	34	Dec-Feb 2001
Seminar on Customs Duty and Regional Trade	100	March-May 2001
Monthly Meetings of the three Trade Associations		Ongoing
Seminar on Future of Agriculture	130	June-Aug 2001
VAT and other Tax Issues	15	June-Aug 2001
Balance Sheets and Loan Applications	150	Sept-Nov 2001
Fiscal Regime	25	Sept-Nov 2001
Private Sector Ag Business Priorities	40	Sept-Nov 2001
Extension for Ag-Input Dealers and MAFRD staff	90	March-May 2002
Business to Business (Kosovo-Macedonia)	130	June-Aug 2002
Commercial Seed Legislation	120	June-Aug 2002
Double Entry Bookkeeping (5 regional centers)	134	Sept-Nov 2002
VAT Application and International Accounting Standards	100	Dec-Feb 2002

Training Conducted by Others For Project Clients

Joint Seminars on Agricultural and Fiscal Policy (Riinvest and University)	12	June-Aug 2000
Weekly Staff Training (KBS)	5	Ongoing
Seed Identification (EAR)	20	Sept-Nov 2001
Pesticide Safety (Crown Agents, UK)	25	Sept-Nov 2001
Seed Regulations (EAR)	20	Sept-Nov 2001
Credit Risk Analysis and Bookkeeping (KBFF)	3	Sept-Nov 2001
Accounting (KBS)	8	Sept-Nov 2001
Advocacy Techniques for NGOs (KNAP)	1	March-May 2002

Appendix 3

Study Tours and Trade Missions

<u>Location</u>	<u>Number of Participants</u>	<u>Quarter</u>
Austria (Trade Fair)	13	June-Aug 2000
Albania (Field Days)	30	Dec-Feb 2001
Greece (Ag Trade Fair)	34	Dec-Feb 2001
Albania—KODAA members (Crop Protection Products)	15	March-May 2001
Turkey (Poultry)	15	March-May 2001
Poland (Extension)	12	March-May 2001
Hungary (General)	11	June-Aug 2001
Albania (General)	10	June-Aug 2001
Slovenia (General)	10	June-Aug 2001
Albania (Policy Reform)	11	Sept-Nov 2001
Netherlands (Poultry)	5	Sept-Nov 2001
Switzerland and Austria (Flour Milling)	6	Sept-Nov 2001
Italy (Trade Fair)	2	Sept-Nov 2001
United States (Association/Policy)	4	Dec-Feb 2002
Germany (Poultry)	25	Sept-Nov 2002
United States (Ag Equipment)	7	Sept-Nov 2002

Appendix 4

KADP Extension Activities

The IFDC-KADP project focused on identifying the most appropriate technologies for three major crops in Kosovo, winter wheat, maize and potatoes. In terms of the appropriate technology, the project identified improved varieties that produced significantly higher yields under Kosovar climatic conditions when combined with the correct amount of fertilizer and crop protection products (CPPs) required to support increased yields.

Results of two years of KADP test plot research concluded:

- Screening of 15 varieties of potatoes (obtained from the Netherlands and Germany) not previously used in Kosovo and recommendations on the use 8 varieties that when combined with the appropriate amount of nitrogen and phosphorus fertilizer increased yields by 76%. In the 1990s (excluding 1999) average potato yield was 7.8 tonnes/ha. By 2001 with dissemination of the information derived from the KADP field research yields were averaging 18.7 tonnes/ha with some fields producing 30 tonnes/ha.
- Screening of 30 winter wheat varieties (obtained from CIMMYT and throughout Europe) from which 4 not previously used in Kosovo were identified as high yielding varieties (HYVs). Two of these varieties (*Martina and Tamara*) were the first additions to the National Seed List being revised by the Ministry of Agriculture and Rural Development (MAFRD). Relative to the traditional varieties (e.g. *Europa*) utilized by farmers these new varieties increased yields by 1.5 tonnes/ha. Overall the high yielding varieties are projected to increase farmers' income by over 300 euros/ha when combined with the proper amounts of fertilizer and CPPs as compared to the use of traditional varieties and no fertilizer or CPP inputs.

IFDC/KADP also introduced several new maize varieties (obtained from Pioneer and Monsanto) in its research plots, which tested the performance of 29 varieties under conditions of improved fertilization and crop protection. With dissemination of this information via brochures, field days and promotion by KODAA, average maize yield increased to 4.5 tonnes/ha in 2001. This yield represents a 90% increase over the average production/ha in the previous decade (excluding 1999). Several of the new varieties were given conditional approval for addition to the National Seed List.

Due to the significant success of the IFDC/KADP maize and wheat technology packages (HYVs, high analysis fertilizer (urea and DAP), improved CPPs) the MAFRD requested to join forces with KADP and KODAA to conduct on-farm demonstrations of the technology packages. For the maize demonstrations, 200 farmers in 25 municipalities (including ethnic minorities and women) were identified to test the packages during 2002. Results from those experiments indicate that average maize yields from these farm demonstrations were 8.0 tonnes/ha. The winter wheat trials were established on 120 farms (30 municipalities) in the last quarter of 2002 and appear to be doing well.

Recognizing the growing need for livestock feed in Kosovo, IFDC/KADP also initiated identification of technology packages for oilseed crops (soybean and sunflower) and research on production of high protein crops such as vetch, lentil and chickpeas (seed obtained from ICARDA) in 2002. Also, due to the establishment of winter wheat (the major crop grown) being problematic in some years due to adverse climatic conditions, IFDC/KADP initiated testing of 8 varieties of spring wheat under conditions of optimum fertilization and crop protection as an alternative in the spring of 2002.

Future activities on promotion of the maize technology package and oilseed technology packages will be accomplished through the new IFDC Kosovo Feed for Poultry Project (KFPP) and collaboration with identified partners (e.g., MAFRD, national institutes, and the EAR SRSP). Continued promotion of wheat technology package and research on spring wheat and some of the high protein crops will be assumed by MAFRD, the Peja Institute and EAR/SRSP.