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# QUARTERLY REPORT QUARTER ENDING: 31 DECEMBER 2005

KOSOVO CLUSTER AND BUSINESS SUPPORT PROJECT



12 January 2006

This publication was produced for review by the United States Agency for International Development. It was prepared by the KCBS project team of Chemonics International Inc.

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Kosovo Cluster and Business Support project: "Quarterly Report for Quarter Ending 31 December 2005"  
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## EXECUTIVE SUMMARY

KCBS continued to give much attention to milk production in the last quarter. Several STTAs were deployed, and recommendations on all aspects of successful farm management have been submitted. These include improvements to ensure the health, hygiene and housing of stock, further work on feed rations mixes and silage, and introduction of record keeping at the farm level. Without good records, there is no way of demonstrating to farmers that introducing these improvements pays dividends. KCBS now believes that there has been sufficient technical advice on these subjects introduced under the KCBS program for the time being. The advice has generally been proffered at the larger commercial farms which gives rise to two challenges for 2006. The first is to ensure the flowdown of these recommendations to the smaller farms, which STTAs are unable to visit during their short assignments; and the second is to ensure that all farms, large and small, maintain the improved practices once introduced. KCBS has implemented a program to address these challenges by engaging on behalf of the milk producers' association, KAMP, two dairy specialists [one, solely for the minority area farms], to provide an outreach program to the wide constituency of Kosovo farmers; at present, they have identified 443 farms to be included in the program. KCBS will support this program for one year; after that, KAMP themselves must assume responsibility for its continuance.

The work with farms, and the milk collection centers used by the smaller farms, is contributing to improvements in productive capacity and quality of milk. KCBS has worked with the milk processors to improve their quality of final dairy products. We have worked with six of the main processors to introduce new products such as feta, ricotta, mozzarella, cream and cheddar cheeses, whey and yoghurts. Two of the dairies have taken advantage of the EU export number that KCBS was instrumental in pushing the MAFRD to obtain, and are now exporting to Austria, Montenegro, Macedonia and Albania. Because of the intense advisory, and financial, involvement needed to introduce GMP and HACCP standards at these leading dairies, KCBS has teamed with an EAR program, Business Advisory Services [BAS], linking our clients to the aid available through BAS. This is a good example of the donor coordination that KCBS is endeavoring to engender.

KCBS has supported several initiatives to improve the quality and productivity of animal feeds, conducting field trials of new varieties and hybrids of corn, soya, sunflower, alfalfa, red clover, vetch and canola. The trials have been conducted in different areas of Kosovo, with differing soil and climate conditions. The trials have incorporated variables such as different fertilizers and pesticides. The analysis and results of the findings have been presented at workshops attended by a large number of representatives of the Kosovo agricultural community and the Ministry. There is considerable enthusiasm from the farmers for introducing the new crops with more productive yields next year.

In exploiting the potential for a revival of the lamb industry in Kosovo, KCBS prepared an implementation schedule outlining several actions necessary to have a pilot number [1,000] sheep available for sale to Macedonia by Easter 2006. These included identifying five leading sheep farmers in five regions of Kosovo, conducting workshops at these farms to which neighboring, smaller farmers were invited. KCBS advised those groups on improving farm conditions, early weaning of lambs to meet EU market demand, developing the concept of graded lamb sales in conjunction with farmers' groups, and balancing feed rations for sheep and lambs. In order to help farmers to reduce their mortality rates for lamb and sheep, KCBS provided a training program on proper lambing processes and prevention diseases for sheep. KCBS also made recommendations for pasture management: improvements with selected forage species, elimination of some common weed with specific herbicide, selection of forage species which can adapt to the climate and the structure of the pasture, and fertilization of pastures. However, before this project can be realized, the Kosovo Ministry of Agriculture must resolve with the EU application of the regulations regarding the export of lamb, and the quarantine requirements before the lambs may be slaughtered.

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KCBS work in the poultry sector has been dominated by the Avian Influenza epidemic. KCBS was in the forefront in developing an identification and prevention program, though to date no birds have had to be slaughtered. KCBS also started to coordinate its activities related to Avian Influenza with US Poultry & Egg Export Council. KCBS assisted the Government in drafting administrative regulations for major poultry diseases. Through the SAF program, we equipped the Veterinary Institute's laboratory, and funded training of lab technicians in Sarajevo; we have also trained regional inspectors and veterinarians on samples collection, transport and storage. Owing to the Avian Flu scare, developments in meat production slowed down as the consumption fell by 60-80%; egg consumption was not affected. Since the cost of feed represents over 70% of the total cost of production for eggs and poultry meat, KCBS is working with the industry to enable them to produce the least cost feed rations. Already, there has been a dramatic effect on the cost of production making local egg production far more competitive and opening up the distinct possibility of increased fresh broiler production.

Successes in the Fruit and Vegetable sector have been limited. It has been difficult to establish relationships between producers and end users. Growers lack confidence that contracted production will actually be bought and paid for, while wholesaler/processors have no faith that growers will deliver contracted production at pre-negotiated prices. The potential for selling wild blueberries this year foundered on disinterestedness in the rural communities to provide pickers. KCBS has identified "anchor" firms with whom to address these problems and thus serve as models for other firms in the cluster. KCBS worked with a large mushroom processing facility to bring it into HACCP compliance; KCBS has linked the plant with a producing business in the minority area of Zubin Potok, and exports contacts are being developed. In the autumn, improved apple post-harvest practices were implemented at three associations; at the most receptive association, growers were able to sell their fruit for a 20% premium over the price previously received for un-sized and un-graded fruit. KCBS is assisting a local Kosovo packaging company to link with an Albanian manufacturer of improved cardboard cartons. These will eventually be branded, identifying the fruit they contain as grown in Kosovo.

The major event in the Construction Materials cluster has been the identification of a potential market for engineered wood flooring in the United States. Two Kosovo companies visited producers in Thailand to review manufacturing processes. The US Importer has given total support to the project and he and the companies have exchanged letters of intent to cooperate on this development. Both Kosovo companies have committed to the necessary capital investment. Potential sales are of the order of €2 million per month. An implementation schedule has been prepared for reaching these levels of production during 2006.

KCBS continues to work with the Kosovo Standardization Agency to implement the KCBS-translated basic EN construction materials standards of cement, reinforcing steel, aggregates and concrete. However, the EAR is leading the development of standards in total, and ensuring EU procedures are followed; this is slowing down the rapid adoption of the KCBS work. KCBS continues to assist large construction materials manufacturers to secure loans for SOE buyouts and for additional investment and working capital. All the companies with which we are working have the potential to be major producers and employers, but the size of investments required are considerable. KCBS worked on the development of the decorative stone industry in Kosovo. We attended trade fairs in Istanbul and Verona, Italy, and generated considerable interest. An expert in the field assessed the potential for exploiting the many and varied quarries in Kosovo very favorably. Because of the huge investments likely to be required, the project was handed over to the EAR funded Investment Promotion Agency at the Ministry of Trade and Industry, but KCBS is keeping a close watch on their follow through.

Two main events dominated the General Business Services activities in the quarter, the Private Public Dialog and the Finance Fair. Following the summer recess after the Lake Ohrid conference on Kosovo at the Crossroads, the six Task Groups of the Private Public

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Dialog [PPD] worked continuously through the last quarter addressing a broad range of business environment constraints. They concluded with a successful policy working session on December 12, 2005. The final recommendations shared by both public and private sector participants reflected a transition from the Client-Patron relationship between the two sectors to one of true equal partners. The recommendations called for the creation of private sector or civil society organizations to address issues of quality standards development, transparency, access to finance, education, tax implementation, and infrastructure development. The PPD helped KCBS to achieve significant progress in improving the business environment by successfully introducing development strategies and plans that would have been difficult to imagine before its inception.

Kosovo's first ever Finance Fair was co-hosted by the Kosovo Bankers Association, the Association of Microfinance Institutions of Kosovo and the Alliance of Kosovo Businesses. The Fair, hosted over 500 attendees and exhibitors, including 13 minority business representatives from different part of Kosovo. The Fair attracted considerable attention on private sector solutions to access to finance, shifting attention at least temporarily away from government backed loan guarantee schemes. KCBS showcased local business service providers by allowing them, and not internationals, to conduct workshops on credit management, which ran simultaneously with the exhibit hall. We expanded the exhibitors beyond just lenders to include support organizations such as accounting firms and other business service providers, insurance companies, industry associations, and donor programs and ministry agencies promoting lending. KCBS persuaded the hosts to charge fees; as a result, the event was also financially successful, demonstrating that future finance fairs can be staged without donor support.

KCBS targeted seven business/trade associations for development; we awarded grants to the first five of these. Of the seven, only three have a chance for being self-sustaining within a year. KCBS believes it is best to focus on these three to create working examples for others. Three of the others are agricultural associations; farmer-based organizations whose membership appears unwilling or unable to provide sufficient funding for the services the associations could provide, and whose boards have demonstrated no ability or desire to properly price their products.

Because of the small size of their markets, most Kosovo associations cannot afford full-time executive directors and offices. KCBS is seeking to create a version of the U.S. type association management company model by helping associations engage business service providers who can help with such needs as database management, accounting, membership recruitment, and fee-for-service product design and delivery. KCBS is attempting to incubate one or more through the grant process, but extensive counseling of both the firms and the association boards has been needed.

The changes over the baseline numbers at enterprises where KCBS has intervened in the first five quarters of the KCBS project are:

- An increase in the value of the sales of €17,872,876.
- An increase in employment of 244 new jobs
- An increase in capital investment of €8,394,991
- An increase in the value of the financing of €3,628,500

This Quarterly report summarizes progress made in the calendar quarter just ended towards objectives set out in the Work Plan. Each week, KCBS issues a weekly update, which records all of the site visits and meetings, which take place, and the subjects of concerns, opportunities and further action required which arose at the meetings.

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### 1.0 WORK PLAN RESULTS ACHIEVED

In the Work Plan for Year Two, ending 30 September 2006, there were a number of Projected Results defined, which were to be achieved in the first year. During the past quarter the following results were achieved as scheduled:

- 80 samples of corn silage were taken and analyzed
- "100 Days" Private Public Dialog conference was held identifying specific private sector initiatives and civil society institutions.
- Finance Fair was held on borrower education and rational pro-business public policy
- Grants to four [4] targeted associations were awarded, which will prepare these associations to reduce donor support to at most 40% of total revenue next year.
- Construction Materials manufacturers were assisted in obtaining €0,5 million through local banks to make plant improvements. [this was to support €3,0 million of self-financed purchases of SOE's].
- KCBS submitted to KSA translated draft EN standards for concrete; it is the MTI/KSA responsibility to deliver these to engineering community in accordance with their procedures.

The following results were not achieved as scheduled:

- Participation in the World Bank Symposium to promote the findings of the Doing Business Index.  
*The World Bank wanted to review the Index prepared by KCBS before giving the index its seal of approval. This process has been unduly delayed.*
- Study tour in US market to demonstrate functioning models of Association Management firms.  
*The extended process of obtaining security clearance for Kosovo participants necessitated the trip being postponed till the New Year. It will now take place in February.*

## **2.0 DAIRY SUB-CLUSTER**

### **2.1 Dairy cattle housing**

One of the major problems in the dairy industry in Kosovo is the facility in which the cows are housed. Inadequate housing leads to reduce performance of the cow in terms of milk production and reproduction efficiency. KCBS made several visits to identify a dairy farm that could meet housing and management standards and become a model dairy farm. In a village, Korenica, an Italian NGO Prodox has built a model dairy farm for demonstration purposes. According to Mr. Fabio Scoto, the project coordinator, the dairy farm will serve as a model where interested farmers from all Kosovo can come to see how a well-managed dairy farm should look. KCBS will work with Prodox to complete the model facility. KCBS will develop a model housing and dairy farm management program that will show farmers how a profitable commercial dairy farm should be operated.

### **2.2 Forage quality**

Proper preparation of silage feed represents the most important factor influencing the nutritive value of silage production. Eighty (80) maize silage samples have been collected from a selected group of farmers Kosovo wide to do the analysis of existing silage quality. Silage bunkers affect the quality of the silage. KCBS advised "Isufi" dairy farm on how to construct a silage bunker, and he has built a silage bunker close to his dairy farm. KCBS will produce and distribute to dairy farmers a brochure on how to construct a least cost silage bunker.

### **2.3 Balanced rations and improved feeding**

Nutrition affects health and reproduction status of the dairy cows. Nutrition is a major problem that need to be addressed urgently if we are aiming to have a sustainable dairy industry in Kosovo. KCBS has continued to assist dairy farmers on feed improvement for dairy cows by distributing Dr. Chapin's dairy ration formulation handbook to dairy farmers. "Biolab" a private dairy consulting firm has been contracted by KCBS to implement MPIP (Milk Production Improvement Project) project. MPIP project is designed to provide training to the dairy commercial farmers on how to increase the milk yield through better feeding regime, which will help farmers produce good quality raw milk.

### **2.4 Reproduction health**

Kosovo's current semen supply is of low quality. KCBS performed several motility examinations of semen both in the field and at the distributor level. The straws were taken from the nitrogen storage tanks, thawed properly and placed under a microscope immediately. Although the percentages of live sperm was higher at the distributor level, even that was not acceptable. After distribution, due to either poor education or lack of care, the semen is being thawed improperly or being handled by the inseminator in a manner that further decreases the quality before the semen is injected into the cow.

Kosovo dairy farmers have a sincere interest in the improvement of their dairy cattle genetically. KCBS is supporting a cooperative project with Fauna for the introduction of US Bovine Genetics into Kosovo. KCBS has prepared SOW for Local Semen Quality Testing Specialist to provide continuing education to veterinarians and Artificial Insemination (AI) technicians in Kosovo on proper artificial insemination techniques. Interviews with numerous veterinarians and artificial insemination technicians has revealed that very few are doing any Semen Quality Testing – from receipt of imported semen to insemination at the farm.

There are still too many bulls running with Kosovo dairy herds. Many producers justify this practice by thinking the reproductive performance of their herd will be better with natural service. Mr. Xhavit Bytyqi, DVM, conducted a study with 101 bulls in Istog municipality; the study indicated the positive transmission of 7 infectious genital diseases from bulls to dairy cows, and as a result reproductive performance of the dairy cows was reduced.

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KCBS, in cooperation with Mr. Bytyqi, will prepare a brochure explaining why natural service is not a solution for Kosovo dairy industry.

### 2.5 Calf rearing

KCBS prepared a SOW to set up a calf and heifer-breeding program and to provide advice on proper heifer management. Tom Dobler is recommended STTA for this program. SOW has been divided into two inputs one input in January and the follow up in May 2006.

### 2.6 Genetic improvement

In the first part of the next quarter, American sires will be used in Kosovo to improve the local cattle through selective breeding. During this past quarter, KCBS worked on US semen import procedures. Fauna, WWS (World Wide Sires) and KCBS have entered into agreement to import from US 4,000 doses of Holstein semen to Kosovo. Dr. Idrizi owner of FAUNA a veterinary pharmacy was in US on World Learning program. Mr. Tony Evangelo of WWS had hosted the delegation from Kosovo at the World Dairy Expo in Madison, Wisconsin. In meeting with Mr. Evangelo, Dr. Idrizi expressed his interest to begin a relationship with WWS. Fauna expressed interest to import and distribute American semen in Kosovo.

Imports arrangements, investments and commitments that are required by both FAUNA and the Farmer to ensure that US semen will be available to Kosovo dairy farmers have been explained. Imports of US semen will enable to improve genetics of the dairy herd.

Several criteria were used to evaluate the bulls selected. The criteria included:

- Sires that would improve milk production while maintaining the levels of components (butterfat and protein)
- Sires that have a record of easy calvings and would not increase the risk of calving problems and the loss of cows or calves at calving time.
- Sires that will improve the dairy type of the existing cattle. To do this KCBS looked at the characteristics, based on the USDA Genetic Evaluation Base, of past offspring to see what future off spring could be expected to look like.
- KCBS looked for sires that had a relatively high reliability they would transmit traits. This data was determined by looking at the number of daughters on the farms and the number of herds in which the daughters were kept.
- KCBS looked at the affordability of the sires keeping in mind there was a budget to work with and that funds would not be unlimited.

### 2.7 Farm records

KCBS has entered into a service agreement with 6 students, their professor and teaching assistant from livestock department within agriculture faculty to visit 1 to 2 dairies each week for the purpose of obtaining reproduction and production records. From these, KCBS will generate once a month a benchmark report from different farms on production and reproduction status of the dairy cows. 8 dairy farms will be covered during this program that will last 6 months. The goal is to create a baseline record for each cow in each farm which will include as much information as is relevant on the cow record sheet plus its initial body condition score. The producer will keep one set of records on which he will make daily entries. The student will keep another set on which all the entries made on by the producer on his set over the previous week will be recorded.

Of the management skills most critical for success, record keeping and record analysis are central. The ability to evaluate herd trends as well as compare individual animal and sub-group performance is essential for the long-term profitability of the dairy. Dairy records and their analysis direct and monitor the management of all other areas of the enterprise. Usually without records the dairyman does not even know why he went broke.

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KCBS prepared SOW for contracting a service provider to create a model business plan for commercial dairy farm operation. EAR through its voucher program project agreed to finance this activity.

### **2.8 Milk quality improvement**

Biolab has demonstrated how to test raw milk at 50 dairy farms. They have also demonstrated how to test the quality of raw milk at milk collection centers. KCBS has delivered the results to dairy processing plants Rona, Abi and Devolli. KCBS has prepared SOW for an expert that will intervene at small farms to improve the quality of raw milk to meet the needs of Devolli dairy plant who wishes to increase its milk processing capacity to 5,000 lit per day.

### **2.9 Milk collection centers**

KCBS has prepared the technical recommendation with detailed instructions for setting up a new automatic cooling tank [capacity 4,000 liters] for Mazreku dairy farm. As noted in 8.8 above, a SOW has been prepared for lab expert to intervene and to set up the Devolli testing standards in 5 milk collection centers which are currently not in use in Kline and Peja region. KCBS assisted a 1,000 lit/day milk collection center in Bec village, Gjakova, by providing the list of standards requirements for the MCC to function properly. KCBS provided lab testing equipment to Agrocoop, a private cooperative in Lypjan, based on grant application proposal. KCBS prepared specific list of items and procedures for Agrocoop in order to be able to collect more milk from three milk collection centers in Lypjan. Agrocoop use to collect 1,000 liters from three MCC, now they process around 2,400 lit/day. KCBS assisted on signing agreement to increase milk collection for Ajka dairy plant needs for 3,000 lit/day. Under preparation is a project proposal "Setting up the functionality of existing milk collection centers" for 5 milk collection centers in Mitrovica (including Zvecan North), Klina, Bec Gjakove and Peja region. KCBS is working to improve the coordination milk collection activity with dairy processing plants. KCBS is working closely with international NGO on supporting dairy industry. KCBS expects to increase raw milk collection from 5-8,000 lit/day through interventions in next three months.

### **2.10 Final dairy product quality testing**

In order to implement GMP and HACCP standards, preliminary quality testing on dairy products has been introduced at five dairy plants. This follows the testing of raw milk quality referred to in 8.8 above and includes introducing testing methods with examples of testing equipment for chemistry and bacteriology methods. KCBS will prepare the detailed presentation for KDPA illustrated in brochures and pamphlets. Currently, the biggest need for training in the dairy industry is microbiology analyses of total bacteria count and somatic cells count of dairy products.

### **2.11 Substitution of imported dairy products.**

In response to requests for new dairy products by the market, KCBS developed new test dairy products at Abi, Shala, Rona, Ajka dairy processors. KCBS assisted on marketing the products, collecting results and defining activities and needs for commercial processing. Preparation for a second intervention on standardization of processing lines is in process with dairies.

### **2.12 Milk processing plants**

Current GMP situation has been reviewed at six dairy plants, and KCBS has prepared the product planning for increased milk-processing capacities. KCBS developed and updated grades and standards for milk collection, processing needs, and standardization of dairy products in processing plant. KCBS set up the structure of processing equipment and tools in order to increase processing capacities for new dairy products. KCBS initiated the

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privatization activity for Abi processing plant with KTA, including preparation of terms, conditions and obligations. KCBS assisted in preparing a credit application for Shala dairy plant [value 60,000 Euro] in order to increase processing capacities; an initial loan of 20,000 Euro has been approved. KCBS prepared detailed business plan for Abi dairy plant to obtain financial support from Austrian Government to invest on buying processing technology equipment for feta cheese, ultra filtration Danish type of cheese, with capacity 20,000 lit/day. KCBS also prepared a technical plan for cream cheese processing line in value 35,000 Euro, to use more raw milk 2-3,000 lit/day. As a result of KCBS intervention and improving processing procedures and equipment on production lines, losses on milk value have been reduced by up to 20% per day.

### **2.13 Work of Associations in Cluster**

In the process of assisting Kosovo Association of Milk Producers (KAMP), KCBS has contracted Pristina - REA a local NGO to provide immediate assistance to Kosovo dairy farms and to implement changes currently being proposed by KCBS short-term technical advisors (STTAs) until the KAMP builds the capacity to create and manage these programs on its own.

KCBS has provided training assistance to industry associations KAMP and KDPA, and business service providers REA and AFFAS, on business planning model preparation. With new lending policy negotiated with Raiffeisen bank [loans obtainable at interest rates reduced from 17.0% to 12.5%], the commercial dairy farmers have reduced their annual operating costs. Small dairy farmers with fewer than 5 cows previously never had a chance to apply for credit. Now with new lending policy, the small farmers can apply for a loan.

## **3.0 MEAT SUB-CLUSTER**

### **3.1 EU Export quality control.**

The Kosovo sheep industry will remain a small sector within the livestock cluster until such time that the EU recognizes Kosovo's veterinary service. At present, the EAR is assisting improvements in internal operations of the KVFA. It is expected to take time before the veterinary service reaches the level of other countries in the region, and Kosovo can export meat products. KCBS submitted to KFVA a "Draft of proposed GPM's for Meat and Poultry Slaughter/Processing". The purpose of this document is to provide guidelines and tools to assist the establishment and certification of sanitary facilities for the slaughter and processing of Beef, Lamb, and Poultry. The lamb export project is designed to be market driven for producers. Market contracts have been established with slaughterhouses in Macedonia. Discussions are now proceeding between Kosovo and Macedonian Ministries of Agriculture. Communication will be on going with importers to further define their market requirements so that sheep producers can begin to plan their lambing activities starting in late December for planned sales in April.

In order to open the path for exporting lambs to Macedonia a contract agreement between one Kosovo enterprise and Macedonian slaughterhouse was required by the MAFRD and KFVA so that export procedures could be discussed between MAFRD and Ministry of Agriculture of Macedonia. KCBS and Mr. Refki Sadiku, a sheep trader from Kosovo, went to Macedonia and met with Mr. Nasuf Saiti, director of Macedonian slaughterhouse, and signed a contract agreement for buying the Kosovo lambs. Market visits in Macedonia found that Greece and Italy have a significant demand for carcass lambs in the weight range of 6 – 11 kg. Both countries import sheep and lambs for slaughter and some for breeding. Price information was collected from an interview with the manager of a slaughter plant in Macedonia that is supplying Italy with carcass lambs. The plant has a contract to supply lamb carcasses in the weight range of 9 – 11 kg at a FOB price of €5.00 to €5.50 per kg.

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KCBS met with Minister of Agriculture Mr. Sadullah Duraki, Mr. Besir Jashari Secretary of State within the Ministry of Agriculture, and Mr. Abdylelez Dogani, Chief of Veterinary border inspection section to explore the contract agreement between slaughterhouse from Macedonia and lamb collection center from Kosovo. Mr. Duraki informed KCBS that EU prohibits imports of lamb meat from Kosovo, but according to him Kosovo must request the European Commission permission to export lambs for slaughter in Macedonia, and after that to sell in an EU country. KCBS presented all information from the Macedonia meeting to MAFRD and Kosovo Veterinary and Food Agency (KVFA). It was agreed that MAFRD and KVFA need to make the request in Brussels to allow lamb from Kosovo to be slaughtered in Macedonia

### **3.2 Increased lamb & milk production**

The processing sector for sheep meat is weak, and there are few recognized slaughterhouses that slaughter and inspect sheep. Meat processors are more focused on importing frozen beef and poultry for processing. Sheep are expensive compared to the imported meat in both purchase price and processing costs, so slaughter plants are reluctant to establish more than seasonal slaughter when prices are in their favor. KCBS established a linkage between “Euro Sharri 1” lamb collection center from Kosovo and “Gornji Polog” slaughterhouse from Macedonia for buying Kosovo lamb. The demands in the export have a significant demand for carcass lambs in the weight range. There are three weight classes for lamb, 1<sup>st</sup> Class 6-9kg, 2<sup>nd</sup> Class 9-11kg, 3<sup>rd</sup> Class 11-14kg. Currently, productivity levels at the farm levels are poor, improvement in operational practices and technology transfer are needed to ensure the growth of the sheep sector. However, lacking marketing integration, procedures have carried meat lamb longer in the flock and they are too heavy and fat for export market.

KCBS started to work with farmers to change flock management practice, and had created five-production/marketing group in eight municipalities throughout Kosovo: Dragash, Prizren, Gjakov-Rahovec, Gjilan-Viti, Ferizaj-Kaqanik. Each municipality has lead sheep farmers and KCBS has worked with those groups to improve farm conditions, early weaning of lambs to meet EU market demand, developing the concept of graded lamb sales in conjunction with farmers group, and balancing feed rations for sheep and lamb. In order to help sheep farmers and to reduce mortality rate for lamb and sheep, KCBS provided a training program on proper lambing process and prevention diseases for sheep. KCBS organized 5 training course on health management practice. Around 100 sheep farmers with a total of 13,500 sheep participated.

A program has also been organized for five producer-marketing groups at five regions. Sheep farmers are being trained for prevention diseases, how to treatments diseases, and the year vaccination program for sheep. Pastures area covers 180,000 ha. Pastures are grazed from June until September. The pastureland is state owned and under the control of municipalities and some SOE. There is no common management system for the pastureland. There is no control of the grazing or allocation of pastureland for a long-term period. To manage and monitor the use of state pastureland (180,000 ha) such as the number of sheep can increase securely from 100,000 to 400,000 animals mainly for meat production, KCBS selected five municipalities in different locations in Kosovo and the priority was given to regions with highest pasture. KCBS collected soil samples and according to soil analyses and the varieties of the plants made the recommendations for pasture management: early melioration in spring and pasture improvement with selected forage species, eliminate some common weed with specific herbicide, select the forage species which can adapt the climate and the structure of the pasture, fertilization of the pasture. In March 2006 KCBS will start with the demo plots in the five regions for improving pasture management.

### **3.3 Sheep and lamb business planning**

KCBS completed a Scope of Work for model business plan that predicts the costs of producing milk, lamb in Kosovo. The model business plan will assist sheep farmers to obtain credit by showing the banks their exact financial status.

### **3.4 Wool sales**

KCBS identified a sales opportunity for sheep wool in Kosovo. The Company "Sharrtex" from Dragash municipality was privatized six months ago; this plant was designated for wool processing. Before the war this plant collected the wool from the sheep farmers and again has interest to collect sheep wool in Kosovo. KCBS will work with this company and will help to find sheep farmers in all regions.

## **4.0 ANIMAL FEED SUB-CLUSTER**

### **4.1 Establishment of on-farm cultivation techniques**

KCBS is implementing through subcontractor, KODAA, test plots that use new technology (New Variety, Fertilizer, Pesticide) such as alfalfa-4 varieties, Red Clover-2 variety, Vetch-2 varieties and Canola -2 varieties. KODAA have established and will observe all the data relative to phenological stages and plant characteristics, planting date and germination date of six Demonstration Plots with alfalfa, red clover, vetch and canola in two Kosovo Regions (3 Demo Plots in Kosovo Valley and 3 Demo Plots in Dukagjini Valley). Based on soil analysis, three main input suppliers indicated a willingness to import new formulation fertilizer in this year. KCBS provided to KODAA members brochures of new fertilizer input suppliers. KCBS is working with the largest fertilizer producers in the Balkan region to assist them to make fertilizer formulations that are needed for Kosovo based on soil analysis. KCBS held a meeting with the primary DAP and Urea suppliers from Albania in order to explore importing cheaper fertilizer through Albania. There is a possibility to import 2,500 ton of DAP and Urea for Kosovo in a joint shipment with Albania.

### **4.2 Introducing new feed crops**

KCBS subcontractors KODAA and KDC held a major presentation of the final results of Corn, Soya bean, sunflower, and alfalfa. In three workshops 315 participants attended: Farmers, Input dealers, Feed Millers, NGO, MAFRD representatives as well as journalist from different media. New varieties/hybrids were tested at 78 plots of new hybrid corn, 26 of Soya beans test plots, Sunflower and alfalfa. The tests of new maize, Soya beans sunflower and alfalfa showed good results this year. Results achieved were good and encouraging. The results on the maize yields and other performance collected this year from KODAA, KDC and MAFRD (Rural development sector), will be used to suggest to the MAFRD that they accept the new maize hybrids in their National Seed List.

### **4.3 Soil testing**

This activity will be started in March. Current soil testing results are not being utilized because recommendations are based on the commonly used and traditional fertilizer triple 15:15:15. The fertilizer does not offer a cost effective means of addressing major nutrients (nitrogen, phosphorus, potassium). The new program will test 80 different locations in Kosovo for a number of soil factors. These soil test results will be distributed to the farmers before planting season so that the farmers have necessary information regarding the usage of appropriate fertilizers.

### **4.4 Pasture management**

The pasture in Kosovo is of poor quality, but on the other hand the climate conditions that are present in Kosovo allow for pasture to be productive in both quality and quantity. As

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also described in 3.2 above, during October Dr. Fadil Millaku, a Pasture Management specialist, spent two weeks advising farmers on high quality pasture management. The fields were selected in different locations in Kosovo and the priority was given to farmers and localities with highest number of livestock. The criteria for plant selection was based on the Vegetative period, quantitative weight and the percentage of proteina and carbohydrates in the plants. Plants that will be used in pasture improvement are: Fabace (legume) - Red Clover, Alsike Clover, and Bird foot trefoil; and Graminae (Poace) - Sheep fescue, Tall fescue, Kentucky bluegrass, and Cocks Foot.

### **4.5 Forage production**

Methods of silage preparation have a huge impact on silage chemical content and feed value. Elementary preconditions for qualitative silage preparation concern moisture, sugar, grinding and cutting, oxygen removal (providing anaerobe conditions for acidyl-lactic fermentation) and also the time when the maize is mowed. KCBS with the SB "Dukagjini" and the Agricultural Faculty in Pristina conducted a "Silage Analysis testing-program". 80 samples of locally produced corn silage were tested for parameters of PH, dry matter, proteins and energy value. This was a critical activity because Crop Producers/Dairy farmers have not done any testing in the last 15 years. The results of the 80-tests were presented in a workshop organized at Agricultural faculty in Prishtina. Recommendations and brochures were distributed among participants informing them about the proper use of silage for different parts of Kosovo.

### **4.6 Business records**

KCBS presented the detailed SOW on preparing a model business plan for commercial crop producers and KODAA association. EAR will financially support this activity

### **4.7 Work of Associations in Cluster**

During the quarter, KCBS continued work with KODAA members in developing an agreement with crop producers for purchasing seed, fertilizer and crop plant protection for 2005 crop season. On intervention was include assistance on purchasing new varieties /hybrids and establishing linkages with different companies like Seed Imex, BC (Botinci) Institute, and NS Institute.

KCBS continued to participate in meetings organized by KODAA like field days and professional presentations.

## **5.0 POULTRY SUB-CLUSTER**

### **5.1 Breeder stock facilities – layers/broilers**

The layer and broiler industries are identified; however, the priorities that are set recognize that the industry is very much dependable on a major investment in creating vertical integration, or completing the chain. Layer or/and broiler breeder farms are the priority set by KCBS that would supply incubation stations with fertilized eggs, and will eliminate the dependence on, and all problems (price, quality, and schedule) related to, day old chick imports. KCBS has worked a lot on this problem by introducing the world's largest breeder producers such as Hy Line, Shaver, Hisex, Isa and presenting to the Kosovo poultry industry the need for breeder operation. KCBS is willing to financially support establishing an experimental breeder farm and for that purpose during November KCBS finalized the RFA that will be published in newspapers so all interested potential breeder producers can apply with their project proposals.

The World Learning training program, prepared and submitted by KCBS that was to be conducted in November, was postponed due to Avian Influenza (Bird Flu) outbreak in the region and the risks of this disease being spread in Kosovo. However, during December the training program was restarted and the group will be traveling to US in February. In this

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group are six commercial poultry producers and potential breeder operators and they will visit breeder operations and incubation stations in the US.

### **5.2 Quality control of domestically produced and imported eggs and poultry meat**

KCBS has worked closely with MAFRD and has assisted them in completing the administrative regulation for egg quality. At the same time KCBS has trained Faculty of Agriculture technicians in egg quality testing. The regulation also requires for local producers to grade eggs; however, due to lack of grading equipment MAFRD is taking this issue in small steps and has asked KCBS to focus its efforts in eliminating this problem. At the same time KCBS has started working with REA, the business service provider that is managing SHPUK, to start preparing the standards that will be used in SHPUK seal of quality. REA, SHPUK and KCBS are also planning a promotion campaign.

### **5.3 Demand for fresh Kosovo eggs and meat**

As priority KCBS had focused its assistance in restarting broiler industry in Kosovo. However due to latest developments world wide with Avian Influenza (Bird Flue) the sale of poultry meat in the region has fallen by 60 to 80%. Latest information is very encouraging showing that the consumption of poultry meat has started to climb back. In this context KCBS developed and distributed a brochure "What needs to be done – How to act" informing producers and consumers about the disease. KCBS has also started to coordinate its activities related to Avian Influenza with US Poultry & Egg Export Council. USAPEEC has sent to KCBS all information materials that they have put together for AI. KCBS informed USAPEEC on what action has been taken in Kosovo in preventing bird flu outbreak and has sent them the newly developed brochure. USAPEEC are very interested to coordinate any future actions or campaigns on this issue - USAPEEC has just hired a advertisement firm that is going to help USAPEEC with a worldwide information campaign, that will include posters at the point of sale, information pamphlets to consumers, and stickers identifying U.S. poultry which will be put on either the product cases or refrigeration units in the stores/open markets. KCBS has informed USAPEEC that the bird flu problem hasn't had any impact on the sale of eggs, and no impact on the sale of chickens in rural areas, but in cities such as Pristina the poultry meat product consumption has fallen between 60-80%.

### **5.4 Feed mills**

The cost of the feed represents over 70% of the total cost of production for eggs and poultry meat. If the feed is not of the highest quality (meeting the daily nutritional requirements of a particular breed of bird) egg and meat production will suffer to the financial detriment of the enterprise. KCBS is working with the industry to enable them to produce the least cost feed rations that until now has had a dramatic effect on the cost of production making the local egg production far more competitive and opening up the distinct possibility of increased fresh broiler production. A computer feed formulation program was given and installed to all the major poultry producing operations and they were given individual training on how to use the program. KCBS has also started working with SHPUK in creating a price list for the needs of its members. During this quarter KCBS has prepared the RFA that will be published in newspaper and all interested feed producers can apply with their project proposals. KCBS is interested in financially supporting one pelletizer that would be installed in one feed mill and used as model for all feed producers.

### **5.5 Poultry producers business plans**

KCBS and with assistance of STTA's has completed the model business plan for broiler production and for breeder operation, both are given to SHPUK for the needs of their members

## **5.6 Group purchasing of feed grain**

In this quarter there was a lot of movement concerning feed grain purchase. KCBS is trying to assist poultry industry in bulk grain purchase by linking all feed producers to one scheduled purchase. KCBS worked with Taka to able to secure a bank guarantee. Taka is looking to purchase 1,000 tons of soybean meal and we are exploring the transport possibilities to lower the cost. Taka has ordered 1,000 tons of soybean meal from US Company STR that uses Croatian port of Rijeka as a distribution point and KCBS is working with Taka in exploring cheaper transportation. At KCBS recommendation Taka has discussed with the beer factory in Peja to rent a silos to store feed ingredients; unfortunately due to beer factory starting the privatization process, Taka was unable to reach any agreement. KCBS will also assist Taka in selling meal to feed producers.

For months now KCBS and Fauna were negotiating with Cargill, the world's largest grain supplier. Fauna met with Cargill representatives in Greece. The meeting was very productive and Cargill has offered Fauna to become their representative in Kosovo. Cargill asked for details regarding grain production and consumption in Kosovo, so KCBS prepared a Scope of Work for conducting a Grain Survey. As requested from Cargill and Fauna the survey will provide information about four major crops: wheat, maize, soybean meal and sunflower meal. The information that KCBS will receive through the survey are: quality of imported and locally produced grain, supply routs and trading companies, prices of locally produced and imported grain and complete statistical data on local production and imports, industrial consumption and household consumption. The local business service provider that will conduct the survey has been selected and the survey will be conducted in next quarter. At the same time KCBS and Fauna met major poultry producers and discussed with them the feed ingredient problem. Fauna is developing the price list for the ingredients that his is able to supply. KCBS has also prepared the RFA that will be published in newspapers and all interested feed producers can apply with their project proposals. KCBS is interested in financially supporting one silo that would be installed in one feed mill and used as model for all feed producers.

## **5.7 Management and vaccination program for layers, broilers and day-old chicks**

A disease identification and prevention program was implemented/completed through the MAFRD and the Veterinary Institute. Kosovo Veterinary Food Agency was assisted in drafting the administrative regulation for Avian Influenza, Newcastle disease and Salmonella, and all three diseases are placed under the responsibility of Kosovo government (legally treated diseases), Laboratory testing equipment was bought for the Veterinary institute so that they now have the ability to test for the major diseases that could affect human and poultry health. KCBS organized for three laboratory experts to receive training in Sarajevo and the same experts will also go to US for three weeks of training under the support of World Learning in February 2006. Regional inspectors and veterinarians were also trained on sample collection, transport and storage. During September, poultry producers signed the agreement about certification with KVFA and the system has started to be put in place. Health control reports on commercial egg layers and broilers have started to be used and KVFA through its laboratory does periodical testing of flock health and issues certificates regarding permanent health, and provides technological supervision and health control.

## **5.8 Work of Associations in Cluster**

KCBS completed the agreement with SHPUK and REA (local business service provider). REA will manage the SHPUK for 12 months and will be responsible for implementing the strategic action plan developed by KCBS. KCBS has started assisting REA in implementing the strategic plan.

## 6.0 FRUIT AND VEGETABLE CLUSTER

### 6.1 Foster a positive working relationship between producers and the larger market chain through facilitation of contract growing arrangements.

Establishing market chain linkages between growers and wholesalers/ processors is the foundation of KCBS activities in the second annual fruit and vegetable cluster work plan. Throughout the first quarter, the KCBS cluster team has met with stakeholders across Kosovo representing growers, consolidators, retailers, processors and trading companies. The underlying purpose of these meetings has been to accelerate the reintegration of production with domestic and regional processing and marketing operations. Growth in sales, employment and capital investments are the objectives of this activity.

In the first year of the project supply contracts for several crops including peppers and wild forest fruits were established and implemented. These products were shipped to both domestic and regional processors. Despite the fact that new markets were opened up for several fresh fruit and vegetable products, relationships between producers and end users (wholesalers/processors) has yet to be established. Growers lack confidence that contracted production will actually be bought and paid for, while wholesaler/processors have no faith that growers will deliver contracted production at pre-negotiated prices.

During the quarter KCBS worked towards the development and implementation of contract growing for the 2006 vegetable season. Because of weather conditions Kosovo produces only one crop a year. Therefore it is important that all production preparations are started well in advance of May, the month most vegetable seedlings are planted. During the period of November to February most preparations including a vegetable production plan, production finance, growing contracts, harvest and delivery dates and transportation logistics must be determined and set in place.

Regional and domestic processors were contacted to determine what vegetables and varieties were needed and the quantities required; what wild forest fruits and quantities would be contracted and expected delivery dates. Negotiation for delivered prices and quality standards were started and will continue for the next few months. Products and vegetables that will be grown or harvested under contract for this next season include potatoes, tomatoes, peppers, forest mushrooms, blueberries and juniper berries

Negotiations with two financial institutions were started for short-term production credit facilities. One of the institutions, BMF Micro Finance, has tentatively agreed to provide production credit loans to growers having a signed growing contract with domestic and regional food processing companies. BMF is planning to offer € 3000 - €50,000 production credit loans for periods of up to a four month, the average growing season. A repayment schedule for the loans is yet to be worked out but will probably include input from the finance company, the grower and the party contracted to buy the production.

The activities conducted in the last three months have helped to accelerate a dialogue between producer groups and the wholesale/processing sector. They lay the foundation for future contractual growing arrangements and help to forge a relationship between producer and processor.

Meetings with newly identified firms, producers and producer associations will continue throughout the 2006 work plan, however the firms and producers identified to date comprise our "anchor" firms whose progress will serve as a model for other domestic and regional market players.

KCBS continues to monitor fruit and vegetable prices at several locations throughout Kosovo. Having access to fruit and vegetable prices is a key component to understanding where to sell your production if you are a grower, and where to buy your inputs if you are a processor. Over successive growing seasons market information can demonstrate to farmers that some non-traditional agricultural products have a high market demand and that it would be prudent to consider changing their production to exploit such opportunities.

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Until the start of KCBS market information of this nature was scarce and not readily available to producers and processors in Kosovo.

Currently market price information is being collected from four cities in Kosovo and is being disseminated to interested producers and marketers on a weekly basis. This activity is ongoing and will be strengthened during the next quarter when a short-term marketing research specialist will be engaged to further refine the activity.

### **6.2 Develop new products with export potential**

Expanding production and processing are important steps in accomplishing job creation and income generation in the fruit and vegetable sector. This expansion depends on competitiveness and marketing and the development of new products with export potential.

During the quarter KCBS has actively sought to identify new products that are able to compete on the international market. Some of these include high value apple vinegar, Pacific Rim and United States markets for wild forest mushrooms and new European markets for blueberries. New markets were identified and contacts made for frozen blueberries during the ANUGA food show in Germany during this past October. New markets were identified in both Japan and the United States for wild mushrooms. Kosovo producers of these wild fruits have been given these contact addresses and if requested, KCBS will act as an intermediary in setting up deals for export sales.

Because of problems encountered in identifying and finding labor for the harvest of wild forest fruits during the 2005 season, KCBS has, during the quarter, outlined a program for the recruitment of harvest labor for future seasons. This program includes working with the USAID/LGI project to help identify harvesters as well as working with schools in areas producing forest fruits to solicit students to harvest fruit during the summer vacation periods.

During the quarter KCBS started to gather data to enable USAID to pursue a waiver to work with the Kosovo wine industry. Wine was once a viable export industry in Kosovo; however in recent years the industry has stagnated and the condition of wine grape vineyards has deteriorated to the point that production uneconomical. There are several private vineyards and wineries that are capable of producing marketable export wines. The fruit and vegetable cluster has contacted these wineries and a position paper will be prepared early in the next quarter.

KCBS conducted walk-through inspections to determine the HACCP compliance of two food processing facilities in Kosovo. Both facilities are used for processing wild mushrooms for export and though neither are HACCP compliant, the Agroprodukt Commerce processing facility could be brought up to pass a HACCP audit within a few months. It was suggested that production from the second facility, Dikodil Company, located in the Zubin Potok minority area be used to supply Agroprodukt Commerce. Agroprodukt Commerce has been given new export contacts resulting from attendance at the ANUGA food show.

Also during the quarter, KCBS staff members attended several food and trade shows including the ANUGA food show, Cologne, Germany, the 3<sup>rd</sup> Regional Conference of Central and South East European Associations of Processors of Fruits and Vegetables, Durrës, Albania and the USAID Regional Competitiveness Initiative Buyers/Producers Conference, Belgrade, Serbia. Contacts made at two of these shows have resulted in new business opportunities for Pestova Potato Processing Company and Agroprodukt Commerce mushroom company.

### **6.3 Improve postharvest handling practices**

Increasing the quality of fresh fruits and vegetables and processed products is a natural outcome of the specific assistance discussed within the body of this report. Through our activities in postharvest handling, packaging assistance and market information, KCBS is ensuring that the appropriate product gets to where it is demanded most in the best

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condition possible. Through interventions and improvement in postharvest handling we ensure that producers are constantly improving the quality of produce available to the market and meeting the superior quality standards necessary to decrease losses due to spoilage while increasing income received for quality goods.

During the past quarter a short term technical specialist was engaged to improve apple postharvest practices including: grading, sizing, packing and storage. During the course of the assignment an apple standards manual was developed outlining a set of grades and standards that will be followed when preparing fruit for marketing. The manual includes standards for both condition and physical defects as well as standards for color, pack and size. The consultant divided his time conducting training sessions at three fruit producing associations and was able to improve postharvest handling at each association. Manual pack tables were designed, constructed and put into use at two of the associations. By using the pack tables fruit was separated into three grades, premium, standard and cull, separated into three sizes and packed into improved cartons. The pack tables were a success not only by improving postharvest quality but in improving the health and well-being of the packing laborers. Previously all apple fruit packing was done on the ground and all packing labor was forced to sit on the ground and stoop over the fruit in order to pack. With the use of the manual pack line laborers are able to stand erect while carrying out the operations of grading, sizing and packing.

Fruit storage rooms were improved by installing insulation on the outer walls of the storage rooms and the interior of the rooms were improved by creating air flow passage ways and the use of pallets on which to stack packed cartons of fruit. Humidity in the storage rooms was increased by spreading water on the floor surfaces and fans were installed to improve air movement within the storage rooms. A storage management system was implemented and digital thermometers and hygrometers were issued to association members in order to monitor and record storage conditions.

As a result of the improved apple packing and storage, association members have been able to sell their fruit for a 20% premium over that price previously received for un-sized and un-graded fruit. It is also interesting to note that supplies of sized and graded fruit offered at the market will sell out completely while un-sized and un-graded fruit often does not sell.

During the quarter the fruit and vegetable cluster was also able to link a local manufacturer of wooden packing cartons with an Albanian manufacturer of improved cardboard paper cartons. The local Kosovo packaging company was interested in setting up a “paper carton” manufacturing facility but due to the high cost of setting up a facility decided it was unpractical. The linkage will enable Kosovo fruit and vegetable packers to use the high quality and preferred packaging material.

### **6.4 Assist processors in identifying and moving ahead with production of value-added products that profitably and strategically challenge imports and encourage regional trade**

Producers must create value-added products sought by the domestic and regional marketplace involving domestic raw materials. Processors must outline market opportunities by fruit and vegetable sub-sectors in each country. Processors will be assisted in making decisions regarding the most profitable products to market domestically and regionally. KCBS encourages processors to develop marketing plans to take advantage of market opportunities and we will conduct cost-benefit analysis for the procurement of scale-appropriate processing equipment.

During the quarter KCBS has assisted Kosovo agribusinesses with linkages to regional markets as well as providing assistance to challenge imports on the local market. KCBS intervention with the Delta Pomfrit Potato Processing Company has led to the company acquiring a “freezer delivery truck” and adding a second shift to their frozen French fry line to keep up with increased sales. Contacts made at the ANUGA food show have resulted

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in opportunities for increased export sales of both frozen and dried wild forest mushrooms by Agroprodukt Commerce mushroom company.

A visit was made to the Dikodil Company, Zubin Potok and an investigation is under way to determine new markets for the high value “boutique” apple vinegar produced by the company. KCBS has suggested changes to their label and packaging that will enable this high value product to be marketed regionally and in Western Europe.

### **6.5 Unite regional fruit associations**

It was decided that no work would proceed on this activity until more interest has been shown by the associations themselves. KCBS attention has been given to strengthening the existing associations and improving their members' practices of post harvest handling, and in developing new markets for their products.

## **7.0 CONSTRUCTION MATERIALS CLUSTER**

### **7.1 Wood Processing**

During this quarter KCBS was mostly engaged on developing the Engineered Wood Flooring project. The project consists of following steps:

- 1) US Marketing Company, SwedeCo, is asking for 133,200 m<sup>2</sup> in first year with intention of increasing quantity and diversity of products in subsequent years. Contacts are being maintained through KCBS short term specialist, Matt Anderson.
- 2) Identification of the Kosovar companies capable to realize project – Companies UKAJ/ Peja and KORENICA/Rahoveci have showed an interest to be engaged on the project.
- 3) Cost analysis. Basic calculations are done. KCBS supported the development of a proper costing analysis.
- 4) Study tour to the companies that are already producing and exporting to the US market through company SwedeCo was made by the mentioned companies in December. The tour resulted in firm commitment by the two companies to move ahead on the project, to go further with investments and start producing Engineered Wood Flooring for US market.
- 5) First shipment. According to the plan, first shipment should be made during April-May 2006 from company KORENICA, and June-July 2006 from company UKAJ.

In October, the same STTA, Matt Anderson, had visited Kosovo to provide technical assistance and advice to the management of Wood Combine, the first of the fully integrated wood processing state owned enterprises (SOEs) to be privatized, and to introduce quality norms and lumber grading rules for beech and spruce logs for implementation at Wood Combine's facility. Due to Wood Combine's decision to pursue an entirely different path in their development, there was considerable deviation from the original intention of the SOW. The EAR/FAO has recognized the need in Kosovo for the development of a small log sawmill designed to process the large volume of raw material available in this size range (12-40 cms diameter). Although Wood Combine is the logical location for such a facility, the owners have shelved the potential installation of a small log mill at present, while still agreeing such a project may have merit in Wood Combine's future operations. It was as a result of this change of direction that the STTA was able to pursue the engineered wood flooring opportunity.

### **7.2 Improved Quality Control**

In this quarter KCBS continued with the recommendations to the private sector and government for improving the quality control and testing for the quarried aggregates, concrete and asphalt. As a result, the Ministry of Trade and Industry [MTI] as a first step started with licensing construction companies, concrete and asphalt producers as well as existing laboratories. KCBS objected to the non-transparency of licensing committee, as the Minister of MTI had not incorporated the private sector associations (RCAK and KACP) as observers on the licensing committee; moreover the representatives of the professional associations of engineers and architects are not part of the committee.

KCBS is working with Independent Commission for Mines and Minerals [ICMM] to develop a proper licensing program for the quarries, and machinery used in quarries, as well as supervising test results of quarry reserves conducted by a recognized testing institute which ICMM has improved. ICMM has approved for the moment a request for site exploration by the road construction company, "Eurokos"; the full license will be given if the Eurokos provide correct types of machinery that should be installed at the quarry.

### **7.2.1 Improved quality control for cement, aggregates and reinforcing steel**

The standards for cement, aggregates and reinforcing steel [the three most common materials used in construction] have been drafted in Albanian, submitted to the MTI in June, but are still under review by the Kosovo Standardization Agency. The KSA has contacted the BSI for solution to the copyright issue regarding translated standards, but the BSI did not resolve due to non-defined status of Kosovo and its exclusion from the European Norms Committee and Organization. KSA, with support of the EAR, has started negotiations and visited the BSI in order to gain the right for the standards adoption. The BSI did not allow adoption of EU Standards by KSA, but proposed an alternative which is that the KSA could obtain the right to become a BSI selling point in Kosovo. This will be developed further with BSI in January.

The KSA, with support of KCBS, is working to create a KSA National Board or similar whose main duty will be to designate technical committees for adoption of the standards. The KSA is working the draft regulation for national board and technical committees and when drafted the copy will be submitted to KCBS for review. The narrow technical committees related to standards on Cement, Aggregates and Steel are to be created based on the standard working groups that were established by KCBS in the past. KSA is thus taking the initiative to establish a transparent methodology for adoption of the EU standards. It is expected that the implementation of these important construction standards in Kosovo will start in April 2006.

### **7.2.2 Improve quality control for concrete and concrete elements**

The main package of the EU Concrete standards have been drafted, translated and was submitted to KSA at the end of Dec '06. The KSA promised that during the next quarter the Technical Committee for concrete standards will be established and it is assumed that these standards will start to be enforced in September 2006.

## **7.3 Improved Productive Capacity**

### **7.3.1 New Co. Silcapor L.L.C.**

During this quarter, Silcapor started implementation of the Marketing Plan on which he spent more than 50,000 Euros. The company completed renovation of the business premises for management, and in the next quarter the premises for the support staff will be constructed. The company sold more than 0,8 MM Euros of its products, and produced more than Euro 1,2 MM during Oct-Dec '05. Moreover production of blocks has continued with high quality maintaining the same production capacity of 500 m<sup>3</sup> per day; and the factory was operating right through year end as has never been done before in history of Silcapor. The company owner received third international award (Diamante Award for quality and management) in London.

In this quarter, exports were 120,000 Euros or 3,105 m<sup>3</sup>; to Albania, 33,000 Euro; to Macedonia, 62,500 Euro; to Greece, 25,000 Euro. KCBS facilitated approximately 100,000 Euros of sales to local wholesalers and construction companies. A new product "Blocks with joints" was developed, which are though slightly more expensive compared with Silcapor solid blocks permit much more efficient construction on sites. The company started to prepare a plan for new products for the next construction season Mar– Dec, but in order to do so the company should hire experts from Slovenia to prepare a Master Plan. KCBS will support this activity. The company is convinced that the number of workers will remain the same at approximately 220 as they plan to expand their activities. The company is doing research on reserves for the raw material in Kosovo and they did identify the potential reserves and have been purchased by the company for further investigations. The company did invest more than 150,000 Euros on machinery maintenance, office renovation, purchase of land and testing for new products. During next quarter the company is willing to focus on quality control and research for new mixtures, but these cannot be developed without international experts.

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With KCBS assistance Silcapor's loan application has been disbursed by Raiffeisen Bank [RBKO] on early October: 1,1 MM Euro term loan - 42 months and 12 month working capital amounting 0,4 MM Euro for raw materials and operational costs.

### **7.3.2 Bilateral Transportation Agreement**

The major problem for implementation of the contract between Silcapor and the Greek buyer in this quarter is the absence of a bilateral transportation agreement that will allow trucks with KS plates to go to/from Greece. An agreement must be signed between Greek Government and UNMIK-Kosovo Government. KCBS raised this issue with Ministry of Transportation and Telecommunication emphasizing how an agreement was very important for the economy of Kosovo. KCBS will monitor this activity, and raise the issue if not resolved for USAID intervention.

### **7.3.3 Bejta Commerce**

Bejta Commerce failed to start production at its new quarry as the installation was not completed until late November. However, andesite will be available next year in Kosovo for asphalt wearing-course for roads. The company conducted testing of the machinery by crushing the stones to various dimensions and it satisfied the owners' expectations. The ceremony for opening of the quarry operation is postponed for the March '06.

As a result of the failure to start production this year, Bejta Commerce's problems were severe, especially with cash flow, as their "lost" sales were least 15,000 tones or 250,000 Euros. KCBS assisted the company to request from RBKO a loan rescheduling. The request is under review by the bank and expected to be approved in January '06. The operations from existing quarry were at a satisfactory level, considering the low investment this year in the Kosovo's infrastructure. The company will not process aggregates in January and February, as the company will be focused on machinery maintenance and blasting. There will be approximately 20 full time workers during upcoming two months.

### **7.3.4 Expedite "New Co. Korrotica L.L.C." privatization with KTA**

The "New Co. Korrotica L.L.C", one of the largest quarries in Kosovo, was tendered on the 6th wave by KTA, and the new owners paid the entire amount of Euro 1,001,137 in early October. The privatization process was delayed by a backlog in Pillar I's background checking procedures. The company intends to invest approximately 1,0 MM Euro in order to increase and improve production capacity and quality. The new owners aim to employ approximately 100 full time workers, and during construction season an additional 50 part time. The company plans to increase production 300% and to achieve increased sales up to 2,0 MM Euro in the year 2006. This is approximately 4 times higher than sales achieved by former SOE.

In order to achieve these goals the new owners will establish the company as a joint venture. KCBS will assist in this process. KCBS developed a SOW for STTA for implementation of the Joint Venture program with the aim to train companies that have recently privatized SOE's, existing joint ventures and future companies interested to create JVs. This program is very important for the economic growth of private sector in Kosovo, as there is lack of education in this sector.

### **7.3.5 Expedite "New Co. FAN Zahir Pajaziti L.L.C." privatization with KTA**

A similar delay in the privatization process occurred on KTA 7<sup>th</sup> wave Special Spin-Off of the "New Co. FAN Zahir Pajaziti", manufacturer of reinforcing steel elements for construction industry. The plant has been only partially operating since the end of 1999, which has resulted in machinery depreciation, increase of wastage and higher costs compared with imported products. The new owner paid the entire amount of 2,310,000 Euros, gave an investment commitment over the next two years of Euro 2,8 MM, and gave an employment guarantee of 236 workers. The company plans to increase production

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200% and to increase sales up to 3,0 MM Euro in the year 2006, which is approximately 6 times higher, compared with sales achieved by the former SOE.

In order to improve technology for manufacturing of the recently privatized factory KCBS contacted company from Switzerland - "Schlatter" - manufacturer of the equipment for production of reinforced steel. As a result, they provided with a detailed offer to the new owner and offered its assistance to identify proper machinery for production. The "Schlatter" representatives are prepared to visit the factory after the privatization process is completed as they would like to have a better understanding as how the factory is operating at present.

KCBS will continue to support the new owners on KTA transition process, business and investment plan, access to credit and New. Co. reorganization. Production will start with existing employees, but if the technology improves during the coming year the number of the direct workers at factory will be decreased. It is essential that the market for FAN's products is expanded.

### **7.3.6 Expedite with "New Co. 19 Nentori" privatization with KTA**

The "New Co. 19 Nentori"/Rahovec (Xerxe) is one of the largest PVC elements producer in Kosovo was tendered on the 7th wave by KTA. The new owner paid the entire amount of Euro 600,000 in early November. New owner is KCBS client company KORENICA/Rahoveci. Again, the privatization process was delayed. KORENICA intend to invest approximately 500,000 Euro in phases in order to increase and improve production capacity and quality of PVC products, and to establish production line for developing and manufacturing engineered wood flooring. The first step is to make remodel the plant and to divide PVC unit and wood processing unit. The new owner aims to employ approximately 100 full time workers. In order to achieve these goals the new owner will continue to work closely with KCBS to develop and implement engineered wood flooring project.

### **7.3.7 Expedite with "New Co. Modeli" privatization with KTA**

The "New Co. Modeli"/Gjakova is one of the largest wood processing companies in Gjakova municipality and was tendered in 12<sup>th</sup> wave by KTA. Despite ownership problems at this company, KCBS support "Modeli" management's desire to proceed further, and to develop a privatization strategy. Promotional material, prepared by KTA and reviewed by KCBS, was distributed to the wood processing companies in Kosovo and to possible investors out of Kosovo (Norway, USA, France, Great Britain).

### **7.3.8 UKAJ**

Supported by the previous KBS program, Ukaj become known as a quality wood product manufacturer. Advice given to him by KCBS taught him how to grow, to be more aggressive in expanding his market, and to adopt new product lines. Initially, the company focused on cost control and improving quality. Defining quality chairs was the first step. UKAJ no longer buys the cheapest lumber available; he learned that buying better grade wood – at a slight additional cost – paid big dividends, with less waste, producing eight additional chairs of better quality. Organized by AWPk, UKAJ exposed his products in M.O.W. furniture show in Germany. He is in negotiation with German company Kare Design to export 3000 chairs per month. Ukaj is expanding on new production plant, making investments near 400,000 euro. New facility will be used for production of engineered wood flooring for export market.

### **7.3.9 Assistance to the other private companies**

- KCBS and RČAK have encouraged and assisted in providing clarifications to the three companies in northern Kosovo [from Zvečan, Company Brest; from Leposavic, Companies Kamilja and AS] to obtain licenses for construction respectfully production of asphalt and concrete. If these companies fulfill all the requirements the licenses will be obtained in the next quarter.

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- KCBS assisted on market linkage between the asphalt producer, Papenburg and Adriani, and road construction company Eurokos for sales value of approximately 200,000 Euros.
- KCBS assisted the company Lin Project to prepare a project proposal and loan application for investment in construction of a new factory for manufacturing concrete elements. The entire project could cost up to 200,000 Euros. The financial requirements from the bank are approximately 100,000 Euros whereas the company will provide the other 100,000 Euros. The factory will employ approximately 10-15 workers. KCBS is assisting them to benefit from EAR project for Mitrovica and Zvecan, and the project proposal was submitted to the EAR Project Manager who will be back in Kosovo in middle of January. KCBS will follow up this project during next quarter as well.
- KCBS assisted the OTI Market, Mitrovica, a concrete producer, to prepare loan application amounting 100,000 Euros that was disbursed in October to increase production capacity of the plant by 25%.
- KCBS assisted RCAK, ICMM and 30 private companies in registering for a seminar that was held in Austria in November and conducted by Sandvik representatives. Besides the seminar, the group hoped to visit quarries and review machinery available from Sandvik. Unfortunately, the Austrian embassy in Skopje failed to answer the visa application letters for more than 3 months, and the trip was abandoned. The business development between Kosovo companies and European companies is very difficult to establish because of visa problems; therefore Kosovo businessmen prefer to develop relationships with companies in countries that do not require visas, or issue them readily, such as with Bulgaria, Ukraine, Turkey, North Africa, and in the Middle East.

### **7.4 Follow-up to Year One Marketing Initiatives**

#### **7.4.1 Decorative Stone**

KCBS completed its exploration of the potential for developing the decorative stone industry in Kosovo. KCBS followed up its visit to the Istanbul trade show in September, with another trip to the second largest decorative stone fair in the world held in Verona, Italy, in October. In November, the potential was publicized at the Mines and Money London Conference. The latter conference was primarily a fair for base metals investment and production, but all the publicity documents on decorative stone in Kosovo, which the KCBS team had prepared, were distributed. During November, KCBS arranged for an Italian expert consultant to review in Kosovo's deposits in more detail and to give his assessment of their potential for development. The KCBS team has written a number of reports on this subject. Without repeating their conclusions in full, it is sufficient for this report to state that there is definite potential for developing quarries and exploiting the stone for its full market value, as opposed to crushing all different kinds of stone for construction aggregates, regardless of its value for decorative purposes. Since any development of these quarries will require a significant investment, probably involving some external enterprise, KCBS passed the lead role in attracting potential investors to the EU's team at the Ministry of Trade and Industry in the Investment Promotion Agency.

#### **7.4.2 Waste Plastic Supply**

KCBS met with the KTA Waste Division to determine the capabilities of the Division for separating waste products required by Pista Ekoplast from bulk waste at collection points or in land fills managed by the Division to supply feedstock to Pista Ekoplast. We were advised that neither the collection nor disposal systems in Kosovo had advanced to this capability. KCBS arranged for McGill Environmental Services (MES) of Ireland to present their successful approach to recycling these materials in Macedonia under a USAID funded program.

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MES presented their project and how it may assist Kosovo to a meeting of 20 persons interested and involved in solid waste management in Kosovo. The consensus among the donor and industry representatives at this presentation concluded that Kosovo should also embark on such a pilot project as soon as possible. The EAR has indicated its interest to fund this pilot project, and communications have begun between EAR, MIS, and KTA in this respect.

### **7.5 Work of Associations in Cluster**

#### **7.5.1 Association of Wood Processors of Kosovo (AWPK)**

AWPK's grant application was awarded in December with reservations. AWPK has concerns about its selection of management team and KCBS is concerned about the executive director. The financial success of the organization as proposed remains dependent on an annual trade show in a market that already has two: a generic show hosted by OEK in which wood product manufacturers have exhibited in the past and a furniture show managed by CEO. KCBS withheld from AWPK's grant the funds for a third show until a study can be done to evaluate its commercial viability. However, in the long run, we are confident that other activities can be developed to offset trade show revenues if creating one is not prudent.

#### **7.5.1 Road Construction Association of Kosovo (RCAK)**

The RCAK activities were focused on completion of the website project and another activity was related to Action Plan and proposal to KCBS. The RCAK website [www.rruqa.org](http://www.rruqa.org) is launched successfully in three languages English, Albanian and Serbian and will be updated biweekly, in the website are presented 23 private companies as well. The KCBS is assisting the RCAK to prepare a strategy for better technical operation and restructuring such as to be segmented into three main technical committees but not limited, such as: (1) asphalt producers technical committee, (2) quarry committee (quarrying and decorative stones) as it is agreed that should not be a separate association at this stage and (3) road construction committee. The structuring proposal will be submitted to its members for approval at the association annual meeting that will be held in March '06.

#### **7.5.2 Kosovo Association of the Concrete Producers (KACP)**

KCBS assisted private concrete producers to establish and register the Kosovo Association of the Concrete Producers (KACP) at the end of December. KCBS assisted on preparation of the strategic plan as well that will be completed in the next quarter and presented to the association meeting that will take place in February '06. In addition, the association management board will be selected consisted by seven representatives from private companies including one representative from minorities.

## **8.0 GENERAL BUSINESS SERVICES**

### **8.1 Business Constraints**

#### **8.1.1 Private Public Dialog**

The fourth quarter noted the greatest activity in the Private-Public Dialog (PPD) with six task groups addressing a broad range of business environment constraints and ended with a successful policy working session on December 12, 2005. The PPD achieved all of its targeted objectives and more. The initial purpose of the PPD was to encourage the private sector to take greater ownership of the business environment and demonstrate to the public sector that such a transfer would not reduce its authority in changing the relationship between the two sectors from Client-Patron to true equal partners. The final recommendations shared by both public and private sector participants reflected that

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transition as many recommendations called for the creation of private sector or civil society organizations to address issues of quality standards development, transparency, access to finance, education, tax implementation, and infrastructure development. Most impressively, the Prime Minister's Office publicly endorsed the PPD recommendations, especially those that called for action outside government agencies (and without consuming scarce government funding), thus giving political support for the creation of these organizations in the future.

The Private-Public Dialog was never meant to be a stand-alone project. It also was intended to shift the thinking of both the private and public sector change agents away from donor-driven short-term *project* planning to local long-term *process* development. The greatest challenge to the leaders of the PPD now is start thinking and planning in terms of infrastructure and institutional development and move away from short-term grant-financed activities.

### 8.1.2 Improving the Business Environment

The PPD was organized to address key constraints to the business environment. To that end, the PPD helped KCBS to achieve significant progress in improving the business environment by successfully introducing development strategies and plans that would have been difficult to imagine before its inception. The establishment of a regional task group of health and safety ministries to find ways of sharing testing capacities to reduce the cost of compliance to both business and government, as proposed by the Health Inspectorate; the formation of a Business Data Users Council through which associations can work with the Statistical Office of Kosovo to prioritize and accelerate the development of industry and national accounts data; the formation of a Financial Roundtable sponsored by the Kosovo Bankers Association (KBA), the Kosovo Chamber of Commerce (OEK), and the Association of Microfinance Institutions of Kosovo (AMIK) to educate both borrowers and lenders on each others' needs; these are just a few examples of how the PPD recommendations will improve the business environment for the business sector generally, and for KCBS clusters specifically. Among the most important accomplishments in business environment improvement from the perspective of our clusters is the pro-business shift in the Kosovo Standards Agency (KSA). Thanks in great part to the counseling that KCBS has provided to its senior staff over the past year, the KSA has transformed from an regulation-driven organization to one with a more *laissez-faire* approach to standards enforcement. This culminated with the announcement of the formation of a Business Advisory Standards Council at the final PPD working session. All KCBS associations will participate.

**Promoting women in to business.** KCBS continued to attend regional conferences on women's issues of economic access with the "Woman as a Mainstay of Reforms - Successful Women Fighting against Difficult Position of Women" conference in Belgrade hosted by BORAM Agency based in Sarajevo. Due to the multiethnic composition of our team, which included Olivera Milloshevic, director of the Business Women Association (WBA) from North Mitrovica, we drew particular attention and received special thanks for our contribution to this conference. We also helped to partner WBA with the Aid to Artisans project in Macedonia, soon to become the Macedonian Artisans Trade Association (MATA), to develop traditional products for the specialty foods market.

### 8.1.3 Improved access to finance

The highlight of this quarter's activity in improving access to finance was Kosovo's first ever Finance Fair. Co-hosted by the Kosovo Bankers Association, the Association of Microfinance Institutions of Kosovo and the Alliance of Kosovo Businesses, the Finance Fair, hosted over 500 attendees and exhibitors, including 13 minority business representatives from different part of Kosovo. With coverage in two of three TV stations, all major Albanian and Serbian radio stations, and five leading print outlets, the Fair attracted considerable attention on private sector solutions to access to finance, shifting attention at least temporarily away from government backed loan guarantee schemes. While following

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models used elsewhere, the KCBS event introduced several innovative firsts that increased the complexity, but also the success, of the event. KCBS introduced local ownership by engaging not one but three Kosovo association partners representing both borrowers and lenders. KCBS showcased local business service providers by allowing them, and not internationals, to conduct workshops on credit management, which ran simultaneously with the exhibit hall. We expanded the exhibitors beyond just lenders to include support organizations such as accounting firms and other business service providers, insurance companies, industry associations, and donor programs and ministry agencies promoting lending. KCBS persuaded the hosts to charge fees both to exhibitors (100 euro each) and workshop attendees (10 euro for any and all of the six workshops); as a result, the event was also financially successful, demonstrating that future finance fairs can be staged without donor support.

In addition to the Finance Fair, KCBS conducted several workshops with minority and women's organizations to improve access to finance specific to those businesses. Also KCBS will support efforts by KBA, AMIK, and OEK to create localized training for borrowers. KBA's current training-of-trainers program will have local trainers available by the end of June. KCBS will assist in the development of training programs.

All efforts to this point have focused only on access to *credit*, not finance in general. In 2006, KCBS will expand its efforts to work with larger Kosovo businesses to develop more sophisticated finance tools and practices.

### 8.2 Business Associations

KCBS' unique experiment in cluster development has focused from the very beginning on new practices, procedures and business models which will be sustainable after donors leave Kosovo. Associations have been targeted as the primary institutions responsible for managing this sustainability. Because of this approach, KCBS has undertaken two parallel goals in association development:

- 1) Creating associations committed with an incentive to self-sufficiency from their inception
- 2) Developing association professional management practices built from existing business service providers (BSPs).

#### 8.2.1 Institutional Development

With no self-sustaining associations in Kosovo, independent of donor assistance, introducing self-financing business models and practices has proven difficult. Some board members simply have not accepted that KCBS actually expects them to pay their own way or that donor assistance will stop if they fail. We have seen that even hiring professional business service providers has not significantly improved professional practices. Apparently, past donor interventions have taught both association members and business service providers that associations are not expected to be just as responsible as any other business, with identified profit centers covering the expenses of costs centers.

This quarter, KCBS targeted seven associations for development:

Poultry Producers Association (SHPUK),  
Dairy Farmers Association (KAMP),  
Alliance of Kosovo Agribusiness (AKA),  
Road Contractors Association (RCAK),  
Wood Products Manufacturers Association (AWPK),  
Dairy Processors Association (KDPA), and  
Anadrini (a regional growers cooperative with some elements of an association).

We awarded grants to the first five of these. Of the seven, only three – RCAK, Anadrini and AWPK – have a chance for being self-sustaining within a year. Given the poor understanding of how associations really work, what they do, and how they should use market signals to drive their activities, KCBS believes it is best to focus on these three to

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create working examples for others. AWPK, however, because of concerns for the management capacities of both its executive director and the management firm it has chosen to engage, may not be able to realize its potential.

Of the remaining KDPA has potential for self-sufficiency but has demonstrated no ability or desire to properly price its products. KAMP and SHPUK are likely to have the most difficult time reaching self-sustainability. In part, this is due to the fact that they are farmer-based organizations whose membership appears unwilling or unable to provide sufficient funding for the services the associations could provide. In the case of SHPUK, its board may not have the interest, or will, to effectively lead and take ownership over the regulatory environment.

In addition, KCBS began working with OEK at the request of USAID as the Chamber has begun to show signs of reform. We will assist in managing the change in corporate culture in OEK following the lead of Social Dialogue, the primary EAR consultant.

In the year ahead, as these associations gain their footing, KCBS will work with them to develop regional partnerships and coalitions. The Kosovo market is too small by itself to support many association activities demanding the development of regional strategies that engage both supplier and customer associations as well as peer organizations. Our participation this year in the development of the Southeastern European Fruit and Vegetable Association is an example of such activity.

### **8.2.2 Professional Development**

Because of the small size of their markets, most Kosovo associations cannot afford full-time executive directors and offices. In order to be sustainable, associations in small transitional economics such as Kosovo's must accept shared infrastructure and outsourcing. It is neither possible nor prudent for every association to have its own full-time executive director and dedicated office. This is the rationale behind the establishment of an association management company model and outsourcing of business services. The U.S.-type association management company model provides shared infrastructure and is potentially viable in Kosovo. Currently, KCBS is seeking to create a version of that model by helping associations engage business service providers who can help with such needs as database management, accounting, membership recruitment, fee-for-service product design and delivery, etc. Since no current business service provider in Kosovo is capable of providing a full-service association management function, KCBS is attempting to incubate one or more through the grant process. However, the lack of understanding of how self-sustaining associations are managed has inevitably led to substantial misunderstandings of the role of association management firms. Extensive counseling of both the firms and the boards have addressed much of this misunderstanding. But with no working models in place, explanations have been left wanting. An attempt in the last half of the year to host a US study tour was postponed due to additional security clearance requirements that now require four months lead-time for planning such tours. While the study tour is now set for February, local changes have changed who should attend. For example, the OEK representative Ibrihimi Kastrati, was voted out of the office of president in December, while his replacement, Besim Beqaj, was not included. We will try to make some changes to list in time for the tour.

### **8.3 Business Support Services**

#### **8.3.1 Upgrade of accounting and auditing practices to international standards**

After several false starts by the Society of Certified Accountants and Auditors (SCAAK), a training program to harmonize the financial record keeping practices of firms in the minority enclaves with those throughout Kosovo and the region was started in December. This effort will be completed in February.

KCBS in cooperation with BSP Piramida helped Ms. Thuy Mellor, Accounting Advisor in Ministry of Economy and Finance, to host a number of workshops on the draft law on

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corporate financial reporting and proposed administrative instruction on education and professional standards for certified accountants and licensed auditors. These presentations were a good introduction to the SCAAK/PIRAMIDA training program. Next quarter we will work with Mr. Larry LeGrand, Bearing Point's tax adviser, to conduct similar workshops on Corporation Tax Law and VAT to the accountants and business people in North Kosovo.

### **8.3.2 Assess market demand for consulting services**

This activity was postponed until 2006. We did, however, meet with UBO Creations, which undertook a similar effort under a Swiss contract in 2003. We hope to find a way of building on that past study to give some measure of change in the consulting services market over the past three years. A scope of work that uses the UBO Creations dataset has been drafted and will be awarded in the first quarter next year.

### **8.3.3 Improve the capacity of local service providers**

This activity is dependent on further success in the association sector as a key part of our strategy is to turn associations into channels for education on the need for business services and both direct and indirect sales of those services.

## **9.0 STRATEGIC ACTIVITIES FUND [S.A.F.] MANAGEMENT**

For this reporting period (Oct–Dec), KCBS through SAF has awarded 10 fixed price subcontracts, 5 simplified grants and provided laboratory equipment to Kosovo Veterinarian Laboratory. The value of signed awards for this quarter is €265,010. From this value €102,240 are awarded for subcontracts, €147,099 for grants and for procurement of goods €15,671.

Two grants, five subcontracts and laboratory equipment for Veterinarian Laboratory, were awarded to Livestock Cluster with value of €160,742; one grant and one subcontract were awarded to Construction Materials Cluster with value of €46,610; and 2 grants and four subcontracts were awarded to General Business Support, with value of €57,658.

From the start of the project until December 2005, KCBS through SAF has signed 32 fixed price subcontracts and 8 simplified grant agreements. Total value of signed subcontracts, grants and procurement of goods is €562,064. From this value, €359,919 is awarded for subcontracts, €186,456 for grants and €15,671 for procurement of goods. Thirteen subcontracts and three grants are signed for livestock cluster in total value of €311,629; two subcontracts with fruit and vegetables cluster €4,710; three subcontracts and three grants in construction material cluster €80,537; and 14 subcontracts, with two grants, for general business support €165,170.

From 32 subcontracts approved throughout the project, 25 have been completed successfully, six subcontracts are ongoing and one was terminated. From total of eight grants, two are completed and six are ongoing.

The terminated fixed price subcontract was the one signed with Center for Protection of Women and Children (CPWC), SAF# GB-FPS-014. This fixed price subcontract was to complete eight deliverables related to a study on constraints and barriers to economic access for women in Kosovo. Reason for terminating this subcontract was because CPWC failed to meet the deadlines for submission of deliverables as detailed in the original subcontract. Although KCBS has made numerous adjustments to the deliverables schedule with the aim to give to CPWC other opportunities to implement the subcontract successfully, CPWC failed to provide KCBS with deliverables. KCBS sent a termination letter for default as CPWC failed to make delivery of the supplies, or perform the services within the time specified in the subcontract. CPWC accepted KCBS' decision on termination as reasonable, and signed the termination letter without any objection, acknowledging their failure to submit deliverables. No funds were disbursed from KCBS to CPWC for this subcontract.

In December KCBS presented the SAF in Shterpce. Twenty-five organizations and individual farmers attended this presentation. Vesna Golubovic did most of the presentation since the presentation was in Serbian. The SAF Manager attended this meeting to support the presentation and answered the questions given by participants.

During this quarter, SAF team organized three workshops "Getting to Grants" for 9 different organizations that were interested to submit their applications. Again these workshops were much appreciated by attendees. Their feedback was that they find the workshops very helpful because of practical explanations given during the workshops, in addition to instructions that are written in SAF grant application forms.

Subcontracts and Grants awarded are reported under the Strategic Activities Fund Data section later in this report.

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### 10.0 PERFORMANCE-BASED MANAGEMENT SYSTEM

#### 10.1 Summary

Performance Based Management System monitors progress against program targets, facilitates reporting of the results attributable to KCBS efforts and provides data for reporting to USAID. It identifies successful enterprise and industry clients, interventions and consultants and allows the team to compare projected results to actual results on a monthly, quarterly, semi-annual and annual basis.

#### 10.2 Data collection

The data is collected from 68 companies in all three clusters.

From this number of companies, only 58 companies are active clients. 10 companies are in our database marked as non-active clients. From the 48 companies that were our clients from the beginning of the projects, during last six months were added 10 new companies.

Indicators for performance in the quarter are as follows:

|                                 |            |
|---------------------------------|------------|
| Total value of sales            | 15,830,385 |
| Total value of production       | 11,189,743 |
| Total Full-time Equivalent Jobs | 1,335      |
| Total value of financing        | 248,300    |
| Total value of investment       | 565,716    |

From the list of 58 companies the data has been collected for 28 companies from the Livestock [Dairy-Beef-Poultry-Animal Feed] Cluster, 12 companies from Fruits and Vegetables Cluster and 18 companies from Construction Materials Cluster.

##### 10.2.1 Livestock [Dairy-Beef-Poultry-Animal Feed] Cluster

|                             |            |
|-----------------------------|------------|
| Total number of enterprises | 28         |
| Total value of sales        | 10,150,607 |
| Total value of production   | 5,665,619  |
| Total Full-time Equivalent  | 468        |
| Total value of financing    | 98,300     |
| Total value of investment   | 371,500    |

##### 10.2.2 Fruits and Vegetable Cluster

|                             |           |
|-----------------------------|-----------|
| Total number of enterprises | 12        |
| Total value of sales        | 1,384,731 |
| Total value of production   | 1,034,530 |
| Total Full-time Equivalent  | 87        |
| Total value of financing    | 0         |
| Total value of investment   | 0         |

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### 10.2.3 Construction Cluster

|                             |           |
|-----------------------------|-----------|
| Total number of enterprises | 18        |
| Total value of sales        | 4,295,047 |
| Total value of production   | 4,489,594 |
| Total Full-time Equivalent  | 780       |
| Total value of financing    | 150,000   |
| Total value of investment   | 194,216   |

### 10.3 Quality of the data.

The cluster advisors are responsible for the first-order data quality control. The quality checks have been made to ensure that data collected and included in database are accurate and reliable. To the list of 4 non-active clients from year one, were added 6 other companies (4 from Fruits and vegetable cluster and 2 from Livestock cluster). Main reason was that these companies were non-cooperative, and KCBS interventions were suspended.

### 10.4. Multiplier effect survey

During this quarter, methodology for gathering the data and calculating multipliers for the KCBS clusters was developed by STTA, Kris Merschrod. The methodology developed should be applicable to any sector or production chain, but the initial focus should be on the dairy and quarry production chains. Once this is accomplished then the wood products industry and vegetable crops can be done. We have already started collecting data from the first tier companies, i.e. our client companies in dairy sector, milk processors. During January 06, the direct interviews with the list of 48 client companies will be conducted. PBMS and IT specialist have completed design of the specialized database for recording and reporting data from these interviews.

### 10.5 Data verification

During the quarter PBMS specialist conducted site visits and interviews with representatives from the client enterprises and organizational partners to verify the results that have been reported. In addition to verification of the accuracy and consistency of the results reported, PBMS specialist also must determine whether the results were caused by the KCBS intervention and thus attributable to the project.

### 10.6. Status of the indicators

The status of indicators, which can be monitored quarterly, relating to sales, jobs, investment and financing are set out below. Changes over the baseline numbers at enterprises where KCBS has intervened in the first five quarters of the KCBS project are:

:

#### IR.1.3.1 Increased Competitiveness of Targeted Clusters

Indicator 1: Total sales among targeted enterprises

There is an increase in the value of the sales over the baseline numbers attributable to KCBS interventions amounting to € 17,872,876.

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Indicator 2: Jobs created among targeted clusters

There is an increase in employment over the baseline numbers attributable to KCBS interventions amounting to 244 new jobs.

### I.R.1.3.1.1. Improved Productive Capacity of Private Enterprise

Indicator 1: Value of capital investment within targeted enterprises

There is an increase in the value of capital investment over the baseline numbers attributable to KCBS interventions amounting to € 8,394,991.

### I.R.1.3.1.3 Strengthened Capacity to Access Credit

Indicator 1: Value of financing within targeted enterprises

There is an increase in the value of the financing over the baseline numbers attributable to KCBS interventions amounting to € 3,628,500.

## 11.0 COMMUNICATIONS AND PUBLICITY

RTK continues to follow the KCBS program closely, particularly with respect to agricultural improvements. RTK attended and recorded a meeting organized by KCBS in October and attended by SHPUK and MAFRD officials on the subject of Avian Flu. RTK also recorded two meetings at which the results of KCBS-sponsored crop trials were presented to a wide audience of farmers, MAFRD officials, representatives from the agricultural institutes and the University faculty, and students. The Chief of Party gave an interview for RTK on the subject of the Silcapor intervention and discussed other aspects of development of the construction materials sector in Kosovo.

The Communications Specialist interfaced with the media and the several associations involved in sponsoring the Finance Fair. A media campaign for the Finance fair included meetings with local and Kosovo-wide media including minority media. A list of FAQs was prepared to inform the media about the purpose of the fair and the expected results.

A STTA Public Relations Campaign Planner was engaged by KCBS to plan for the publicity of the Private-Public Dialog. He was very effective in ensuring the success of the workshop that was held at the conclusion of the Task Groups' work. A PP Dialog logo was developed to give the process an identity, papers were well organized and presented, participants were issued with Fact Sheets and a list of FAQs, and the workshop itself was exceptionally well coordinated. All the stakeholders were carefully prepared, and a briefing of the Prime Minister's Office led to an endorsement of the process by the Office, which gave added significance to the project.

At year's end, KCBS compiled a publicity booklet on the work of the project in the first year and this will be widely distributed after the New Year. Also in the last quarter, several success stories were prepared for review by USAID. In addition to the "Better feed brings milk and income" story about farmer Mazreku's achievements which has already been published by USAID Washington, additional stories have been submitted to USAID which cover:

- "Locally produced fresh chicken hits Kosovo's supermarkets" – Agraria Commerce
- "Growing better feed adds up to more milk for Kosovo dairy producers" – Rudina farm
- "Made in Kosovo wood products hit the European market" – Ukaj Company
- "Family Builds Rock Solid Business" – Bejta Commerce
- "Veterinarian becomes teacher and life long learner" – Dr. Kreshnik Rogova
- "Privatization brings business back to life" – Silcapor Company

During the upcoming quarter further success stories are planned which will cover: the Finance Fair and its follow through results; the Private Public Dialog process; the Raiffeisen Bank new loan product(s) for farmers; improvements in post harvesting of apples; and new cheese products development at dairy processors.

**KOSOVO CLUSTER AND BUSINESS SUPPORT**

**QUARTERLY REPORT**

**QUARTER ENDING: 31 DEC. 2005**

**PERFORMANCE DATA**

## KCBS Quarterly PBMS Report

### Summary of Quarterly Results

ALL YEARS ARE U.S. GOVT. FISCAL YEARS [commencing 01 October]

| SO#<br>IR# | SO Name  | Unit measure | Base-line<br>Year | Base-line<br>Value | 2004 Actual | 2005 Actual | 2006 Target | Q1 2006<br>Actual | Q2 2006<br>Actual | Q3 2006<br>Actual | Q4 2006<br>Actual | 2006 To<br>Date |
|------------|--|--------------|-------------------|--------------------|-------------|-------------|-------------|-------------------|-------------------|-------------------|-------------------|-----------------|
| 1.3        | <b>Accelerated Private Sector Growth</b>                     |              |                   |                    |             |             |             |                   |                   |                   |                   |                 |
| Indicators |  |              |                   |                    |             |             |             |                   |                   |                   |                   |                 |
| 1          | Value of company profit taxes collected                      | Euros        | 2003              | 28,412,404         | 42,840,000  | 39,228,497  | 40,500,000  | -                 |                   |                   |                   |                 |
| 2 (AR)     | Exports as a percentage of imports                           | Percent      | 2003              | 3.70%              | 4.90%       | 5.59%       | 8%          | -                 |                   |                   |                   |                 |
| 1.3.1      | <b>Increased Competitiveness of Targeted Clusters</b>        |              |                   |                    |             |             |             |                   |                   |                   |                   |                 |
| Indicators |  |              |                   |                    |             |             |             |                   |                   |                   |                   |                 |
| 1          | Total sales among targeted enterprises                       | Euro         | 2003              | 0                  | 35,755,626  | 19%         | 10%         | 63%               |                   |                   |                   |                 |
| 2 (AR)     | Jobs created within targeted clusters                        | Number       | 2003              | 0                  | 0           | 295         | 600         | 338               |                   |                   |                   |                 |
| 3          | Labor productivity among targeted enterprises                | Number       | 2005              | 0                  | 0           | -11%        | 10%         | 0%                |                   |                   |                   |                 |
| 1.3.1.1    | <b>Improved Productive Capacity of Private Enterprises</b>   |              |                   |                    |             |             |             |                   |                   |                   |                   |                 |
| Indicators |  |              |                   |                    |             |             |             |                   |                   |                   |                   |                 |
| 1          | Increased capital investment among targeted enterprises      | Number       | 2004              | 0                  | 0           | 2,341,908   | 3,000,000   | 565,716           |                   |                   |                   |                 |
| 1.3.1.2    | <b>Improved Quality Control</b>                              |              |                   |                    |             |             |             |                   |                   |                   |                   |                 |
| Indicators |  |              |                   |                    |             |             |             |                   |                   |                   |                   |                 |
| 1          | Number and type of standards approved by target associations | Number       | 2004              | 0                  | 0           | 0           | TBD         | -                 |                   |                   |                   |                 |
| 1.3.1.3    | <b>Strengthened Capacity to Access Credit</b>                |              |                   |                    |             |             |             |                   |                   |                   |                   |                 |
| Indicators |  |              |                   |                    |             |             |             |                   |                   |                   |                   |                 |
| 1          | Increased financing among targeted enterprises               | Euro         | 2003              | 0                  | 0           | 2,081,375   | 6,000,000   | 100,625           |                   |                   |                   |                 |

## KCBS Quarterly PBMS Report

### Summary of Quarterly Results

ALL YEARS ARE U.S. GOVT. FISCAL YEARS [commencing 01 October]

| SO#<br>IR# | SO Name  | Unit measure | Base-line<br>Year | Base-line<br>Value | 2004 Actual | 2005 Actual | 2006 Target | Q1 2006<br>Actual | Q2 2006<br>Actual | Q3 2006<br>Actual | Q4 2006<br>Actual | 2006 To<br>Date |
|------------|--|--------------|-------------------|--------------------|-------------|-------------|-------------|-------------------|-------------------|-------------------|-------------------|-----------------|
| 1.3.2      | <b>Improved Business Operating Environment</b>                   |              |                   |                    |             |             |             |                   |                   |                   |                   |                 |
| Indicators |  |              |                   |                    |             |             |             |                   |                   |                   |                   |                 |
| 1 (AR)     | Number of companies registered - two quarters                    | Number       | 2003              | 30,966             | 40,703      | 48,497      | 47,000      | -                 |                   |                   |                   |                 |
| 2          | Business Environment Index (reduction of business constrains)    |              |                   |                    |             |             |             | -                 |                   |                   |                   |                 |
|            | a. Cost to create collateral - % of income per capita            | Percent      | 2004              | 22.0%              |             | N/A         | 16.0%       | -                 |                   |                   |                   |                 |
|            | b. Private bureau coverage - number of borrowers per 1000 capita | Number       | 2004              | 46.8               |             | N/A         | 100.0       | -                 |                   |                   |                   |                 |
|            | c. Cost of enforcing contracts - cost as a % of debt.            | Percent      | 2004              | 29.0%              |             | N/A         | 26.0%       | -                 |                   |                   |                   |                 |
|            | d. Number of unresolved claims                                   | Number       | 2004              | N/A                |             | N/A         | TBD         | -                 |                   |                   |                   |                 |
| 1.3.2.1    | <b>Strengthened Business Consulting Services</b>                 |              |                   |                    |             |             |             |                   |                   |                   |                   |                 |
| Indicators |  |              |                   |                    |             |             |             |                   |                   |                   |                   |                 |
| 1          | Number of businesses using business consulting services          | Number       | 2004              | 0                  | 0           | N/A         | TBD         | -                 |                   |                   |                   |                 |
| 1.3.2.2    | <b>Improved Capacity for Policy Dialog</b>                       |              |                   |                    |             |             |             |                   |                   |                   |                   |                 |
| Indicators |  |              |                   |                    |             |             |             |                   |                   |                   |                   |                 |
| 1          | Number of Private-Public Task Group recommendations implemented  | 2004         | 0                 | 0                  | 0           | N/A         | TBD         | -                 |                   |                   |                   |                 |
| 1.3.2.3    | <b>Business Associations Responsive to Client Needs</b>          |              |                   |                    |             |             |             |                   |                   |                   |                   |                 |
| Indicators |  |              |                   |                    |             |             |             |                   |                   |                   |                   |                 |
| 1          | Number of associations with approved strategic plans             | Number       | 2004              | 0                  | 0           | 7           | 10          | -                 |                   |                   |                   |                 |
| 2          | Percent of non-donor revenues generated by the associations      | Percent      | 2003              | 0                  | 0           | 4>50%       | 7>70%       | -                 |                   |                   |                   |                 |
| 3          | Number of associations employing non-volunteer staff             | Number       | 2004              | 0                  | 0           | 7           | 5           | -                 |                   |                   |                   |                 |

## KCBS Quarterly PBMS Report

### Annual Goals and Results

ALL YEARS ARE U.S. GOVT. FISCAL YEARS [commencing 01 October]

| SO#<br>IR#     | SO Name  | Unit measure | Base-line<br>Year | Base-line<br>Value | 2004 Target | 2004 Actual | 2005 Target | 2005 Actual | 2006 Target | 2006 Actual | 2007 Target | 2007 Actual | 2008 Target | 2008 Actual |
|----------------|--|--------------|-------------------|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>1.3</b>     | <b>Accelerated Private Sector Growth</b>                     |              |                   |                    |             |             |             |             |             |             |             |             |             |             |
| Indicators     |  |              |                   |                    |             |             |             |             |             |             |             |             |             |             |
| 1              | Value of company profit taxes collected                      | Euros        | 2003              | 28,412,404         | 34,100,000  | 42,840,000  | 38,200,000  | 39,228,497  | 40,500,000  |             | 42,100,000  |             | 43,800,000  |             |
| 2 (AR)         | Exports as a percentage of imports                           | Percent      | 2003              | 3.70%              | 4.00%       | 4.90%       | 6%          | 5.59%       | 8%          |             | 10%         |             | 12%         |             |
| <b>1.3.1</b>   | <b>Increased Competitiveness of Targeted Clusters</b>        |              |                   |                    |             |             |             |             |             |             |             |             |             |             |
| Indicators     |  |              |                   |                    |             |             |             |             |             |             |             |             |             |             |
| 1              | Total sales among targeted enterprises                       | Euro         | 2003              | 0                  | 0           | 35,755,626  | 5%          | 19%         | 10%         |             | 17.50%      |             | 25%         |             |
| 2 (AR)         | Jobs created within targeted clusters                        | Number       | 2003              | 0                  | 0           | 0           | 200         | 295         | 600         |             | 1100        |             | 1700        |             |
| 3              | Labor productivity among targeted enterprises                | Number       | 2005              | 0                  | 0           | 0           | 5%          | -11%        | 10%         |             | 15%         |             | 20%         |             |
| <b>1.3.1.1</b> | <b>Improved Productive Capacity of Private Enterprises</b>   |              |                   |                    |             |             |             |             |             |             |             |             |             |             |
| Indicators     |  |              |                   |                    |             |             |             |             |             |             |             |             |             |             |
| 1              | Increased capital investment among targeted enterprises      | Number       | 2004              | 0                  | 0           | 0           | 1,500,000   | 2,341,908   | 3,000,000   |             | 4,000,000   |             | 5,000,000   |             |
| <b>1.3.1.2</b> | <b>Improved Quality Control</b>                              |              |                   |                    |             |             |             |             |             |             |             |             |             |             |
| Indicators     |  |              |                   |                    |             |             |             |             |             |             |             |             |             |             |
| 1              | Number and type of standards approved by target associations | Number       | 2004              | 0                  | 0           | 0           | 0           | 0           | TBD         |             | TBD         |             | TBD         |             |
| <b>1.3.1.3</b> | <b>Strengthened Capacity to Access Credit</b>                |              |                   |                    |             |             |             |             |             |             |             |             |             |             |
| Indicators     |  |              |                   |                    |             |             |             |             |             |             |             |             |             |             |
| 1              | Increased financing among targeted enterprises               | Euro         | 2003              | 0                  | 0           | 0           | 3,000,000   | 2,081,375   | 6,000,000   |             | 10,000,000  |             | 16,000,000  |             |

## KCBS Quarterly PBMS Report

### Annual Goals and Results

ALL YEARS ARE U.S. GOVT. FISCAL YEARS [commencing 01 October]

| SO#<br>IR#     | SO Name  | Unit measure | Base-line<br>Year | Base-line<br>Value | 2004 Target | 2004 Actual | 2005 Target | 2005 Actual | 2006 Target | 2006 Actual | 2007 Target | 2007 Actual | 2008 Target | 2008 Actual |
|----------------|--|--------------|-------------------|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>1.3.2</b>   | <b>Improved Business Operating Environment</b>                   |              |                   |                    |             |             |             |             |             |             |             |             |             |             |
| Indicators     |  |              |                   |                    |             |             |             |             |             |             |             |             |             |             |
| 1 (AR)         | Number of companies registered - two quarters                    | Number       | 2003              | 30,966             | 37,000      | 40,703      | 42,000      | 48,497      | 47,000      |             | 51,000      |             | 54,000      |             |
| 2              | Business Environment Index (reduction of business constrains)    |              |                   |                    |             |             |             |             |             |             |             |             | TBD         |             |
|                | a. Cost to create collateral - % of income per capita            | Percent      | 2004              | 22.0%              |             |             | N/A         | N/A         | 16.0%       |             | 12.0%       |             | 8.0%        |             |
|                | b. Private bureau coverage - number of borrowers per 1000 capita | Number       | 2004              | 46.8               |             |             | N/A         | N/A         | 100.0       |             | 200.0       |             | 400.0       |             |
|                | c. Cost of enforcing contracts - cost as a % of debt.            | Percent      | 2004              | 29.0%              |             |             | N/A         | N/A         | 26.0%       |             | 23.0%       |             | 20.0%       |             |
|                | d. Number of unresolved claims                                   | Number       | 2004              | N/A                |             |             | N/A         | N/A         | TBD         |             | TBD         |             | TBD         |             |
| <b>1.3.2.1</b> | <b>Strengthened Business Consulting Services</b>                 |              |                   |                    |             |             |             |             |             |             |             |             |             |             |
| Indicators     |  |              |                   |                    |             |             |             |             |             |             |             |             |             |             |
| 1              | Number of businesses using business consulting services          | Number       | 2004              | 0                  | 0           | 0           | N/A         | N/A         | TBD         |             | TBD         |             | TBD         |             |
| <b>1.3.2.2</b> | <b>Improved Capacity for Policy Dialog</b>                       |              |                   |                    |             |             |             |             |             |             |             |             |             |             |
| Indicators     |  |              |                   |                    |             |             |             |             |             |             |             |             |             |             |
| 1              | Number of Private-Public Task Group recommendations implemented  | 2004         | 0                 | 0                  | 0           | 0           | N/A         | N/A         | TBD         |             | TBD         |             | TBD         |             |
| <b>1.3.2.3</b> | <b>Business Associations Responsive to Client Needs</b>          |              |                   |                    |             |             |             |             |             |             |             |             |             |             |
| Indicators     |  |              |                   |                    |             |             |             |             |             |             |             |             |             |             |
| 1              | Number of associations with approved strategic plans             | Number       | 2004              | 0                  | 0           | 0           | 6           | 7           | 10          |             | 14          |             | 20          |             |
| 2              | Percent of non-donor revenues generated by the associations      | Percent      | 2003              | 0                  | 0           | 0           | 4>50%       | 4>50%       | 7>70%       |             | 10>80%      |             | 14>80%      |             |
| 3              | Number of associations employing non-volunteer staff             | Number       | 2004              | 0                  | 0           | 0           | 3           | 7           | 5           |             | 8           |             | 14          |             |

## ACTIVITY IN THE QUARTER

KCBS intervened at 58 companies in the quarter.

Data has been collected for 28 companies from the Livestock [Dairy-Beef-Poultry-Animal Feed] Cluster, 12 companies from Fruits and Vegetables Cluster and 18 companies from Construction Materials Cluster.

### Livestock [Dairy-Beef-Poultry-Animal Feed] Cluster

| No.          | Enterprise Name | Sales             | Production       | Employment    | Financing     | Investment     |
|--------------|-----------------|-------------------|------------------|---------------|---------------|----------------|
| 1            | Abi             | 2,188,500         | 1,181,694        | 18.00         | -             | -              |
| 2            | Adi             | 719,422           | 633,995          | 60.00         | -             | -              |
| 3            | Agronomi        | 40,782            | -                | 3.08          | -             | -              |
| 4            | Ajka            | 1,088,484         | 205,584          | 12.00         | 8,200         | 8,000          |
| 5            | Aldi            | 81,174            | 66,119           | 13.00         | -             | -              |
| 6            | Bylmeti         | 360,000           | 304,100          | 20.00         | -             | 21,000         |
| 7            | Devolli         | 1,376,335         | 1,036,419        | 40.00         | -             | -              |
| 8            | Diti            | 108,360           | 79,720           | 6.00          | -             | -              |
| 9            | Euroлона        | 17,304            | 11,536           | 25.00         | 85,000        | 250,000        |
| 10           | Fauna           | 158,596           | -                | 9.00          | -             | -              |
| 11           | Fit Dani        | 89,250            | 74,700           | 17.00         | -             | -              |
| 12           | Fitofarma       | 93,400            | -                | 3.18          | -             | -              |
| 13           | Gjini & Tag     | 71,400            | 64,600           | 10.00         | -             | -              |
| 14           | Kabi            | 401,450           | 343,080          | 19.00         | -             | -              |
| 15           | Koxha Comm.     | 3,850             | 1,000            | 6.20          | -             | -              |
| 16           | Lahor           | 10,930            | 8,870            | 5.00          | -             | -              |
| 17           | Luma Commerce   | 10,136            | 7,240            | 4.00          | -             | -              |
| 18           | Maloku          | 86,990            | 77,425           | 12.00         | -             | -              |
| 19           | Mazreku         | 24,800            | 15,500           | 6.00          | -             | 35,000         |
| 20           | Premium Vet     | 41,230            | 29,450           | 25.00         | -             | -              |
| 21           | Qengji          | 4,800             | 2,400            | 6.00          | -             | 2,500          |
| 22           | Rona            | 380,255           | 315,348          | 14.00         | 800           | -              |
| 23           | Rudina          | 45,555            | 30,370           | 10.00         | -             | -              |
| 24           | Sazli           | 72,976            | 61,561           | 9.00          | -             | -              |
| 25           | Shala           | 52,440            | 41,123           | 12.00         | 4,300         | 55,000         |
| 26           | Soni            | 750,944           | 614,136          | 80.00         | -             | -              |
| 27           | Taka            | 224,994           | 198,999          | 15.00         | -             | -              |
| 28           | Xeni            | 1,646,250         | 260,650          | 8.47          | -             | -              |
| <b>Total</b> |                 | <b>10,150,607</b> | <b>5,665,619</b> | <b>467.93</b> | <b>98,300</b> | <b>371,500</b> |

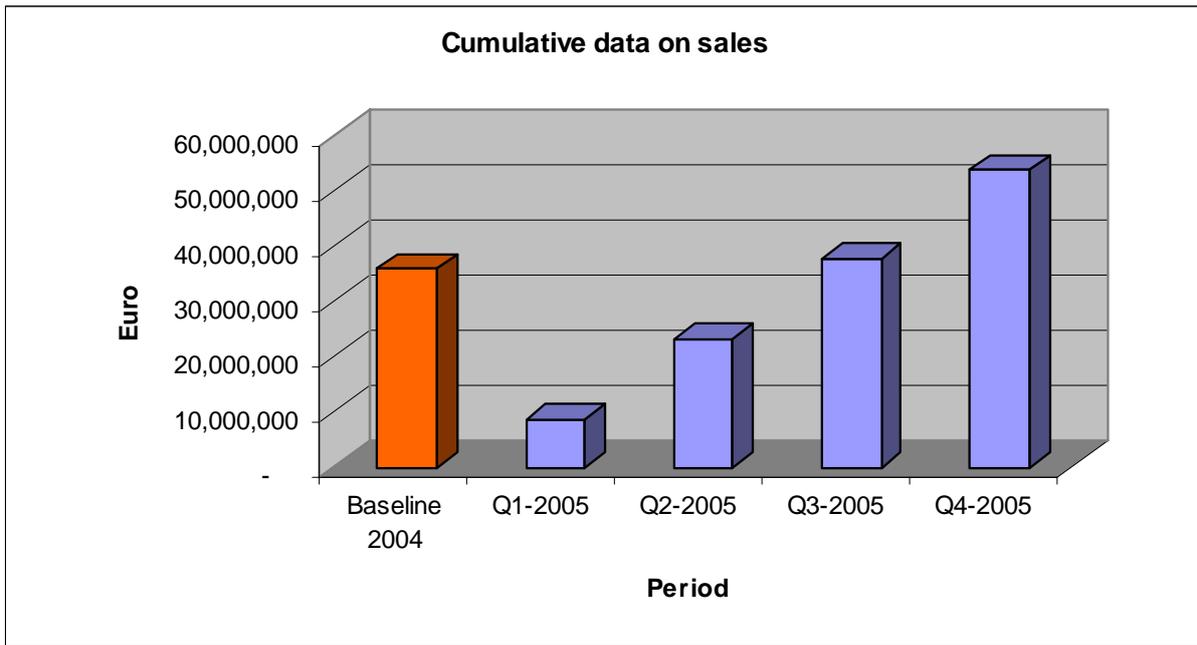
### Fruits and Vegetables Cluster

| No.          | Enterprise Name    | Sales            | Production       | Employment   | Financing | Investment |
|--------------|--------------------|------------------|------------------|--------------|-----------|------------|
| 1            | Abi – Trade        | 26,107           | 16,177           | 4.00         | -         | -          |
| 2            | Agroprodukt Comm.  | -                | -                | 18.00        | -         | -          |
| 3            | Agroprodukt-Syne   | 5,580            | 41,400           | 8.75         | -         | -          |
| 4            | Albi               | 749,150          | 587,500          | 35.00        | -         | -          |
| 5            | Delta Pomfrit      | 43,515           | 35,823           | 6.10         | -         | -          |
| 6            | INP                | 3,330            | 1,278            | 4.16         | -         | -          |
| 7            | Juniperi Fructus   | 19,900           | 480              | 1.12         | -         | -          |
| 8            | Kooperativa Zahaqi | 14,000           | 12,000           | 3.21         | -         | -          |
| 9            | Pestova            | 491,686          | 314,770          | 4.18         | -         | -          |
| 10           | Pisha              | 5,685            | 10,640           | 8.00         | -         | -          |
| 11           | Sani               | 10,800           | 8,400            | 8.00         | -         | -          |
| 12           | Zejna              | 14,978           | 6,062            | 4.17         | -         | -          |
| <b>Total</b> |                    | <b>1,384,731</b> | <b>1,034,530</b> | <b>86,69</b> | -         | -          |

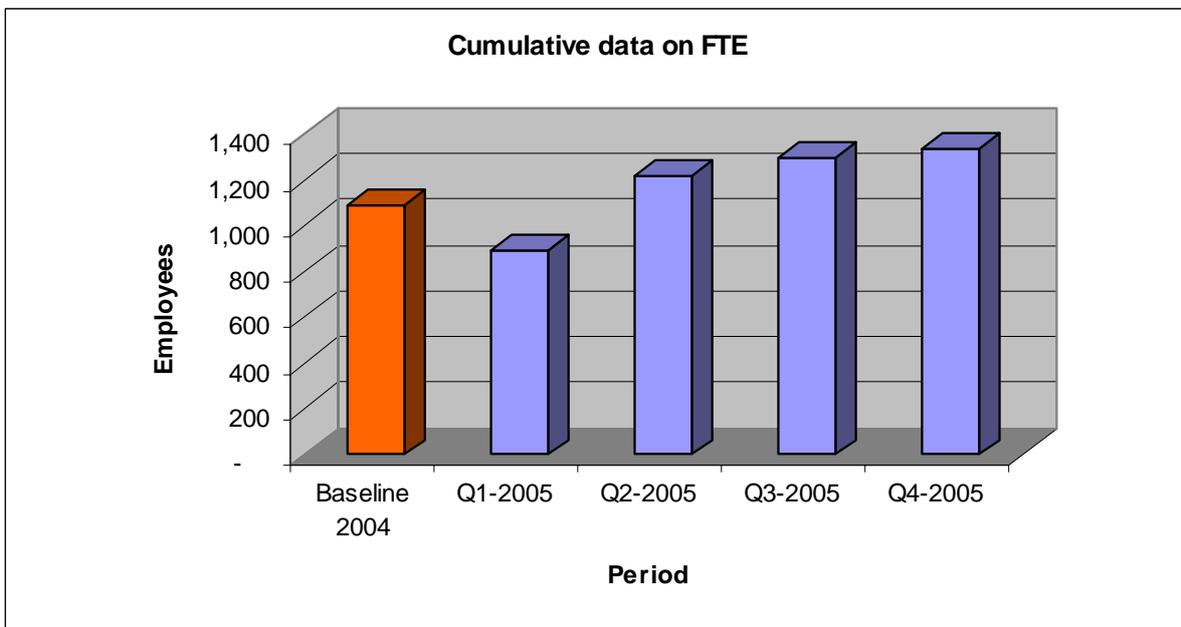
### Construction Materials Cluster

| No.          | Enterprise Name   | Sales            | Production       | Employment    | Financing      | Investment     |
|--------------|-------------------|------------------|------------------|---------------|----------------|----------------|
| 1            | Ana               | 9,900            | 5,640            | 6.15          | -              | -              |
| 2            | Aragonit          | -                | -                | -             | -              | -              |
| 3            | As                | 34,200           | 26,700           | 6.90          | -              | 2,000          |
| 4            | Bejta Commerce    | 148,244          | 117,420          | 90.00         | -              | 5,000          |
| 5            | Brest PMP         | 57,890           | 46,550           | 14.00         | -              | 33,500         |
| 6            | Brovina           | 17,752           | 14,786           | 26.06         | -              | -              |
| 7            | Eskavatori        | 978,775          | 770,525          | 89.00         | -              | 50,000         |
| 8            | Eurokos           | 306,075          | 250,425          | 7.47          | -              | 22,000         |
| 8            | Famis Commerce    | -                | -                | -             | -              | -              |
| 9            | Gacaferri         | 195,600          | 240,800          | 46.00         | -              | -              |
| 10           | Kamilja           | 35,100           | 31,550           | 8.24          | -              | -              |
| 11           | Korenica          | 191,635          | 160,610          | 40.06         | -              | -              |
| 12           | Lesna             | 234,060          | 192,860          | 89.00         | -              | -              |
| 13           | New Co. Silcapor  | 788,650          | 1,360,090        | 212.83        | -              | 69,000         |
| 14           | Papenburg/Adriani | 901,710          | 901,710          | 46.59         | -              | 12,716         |
| 15           | Ukaj              | 143,822          | 129,853          | 41.10         | 150,000        | -              |
| 16           | Vellezerit Rama   | 28,584           | 26,575           | 5.00          | -              | -              |
| 17           | Wood Combine Co   | 223,050          | 213,500          | 52.00         | -              | -              |
| <b>Total</b> |                   | <b>4,295,047</b> | <b>4,489,594</b> | <b>780.40</b> | <b>150,000</b> | <b>194,216</b> |

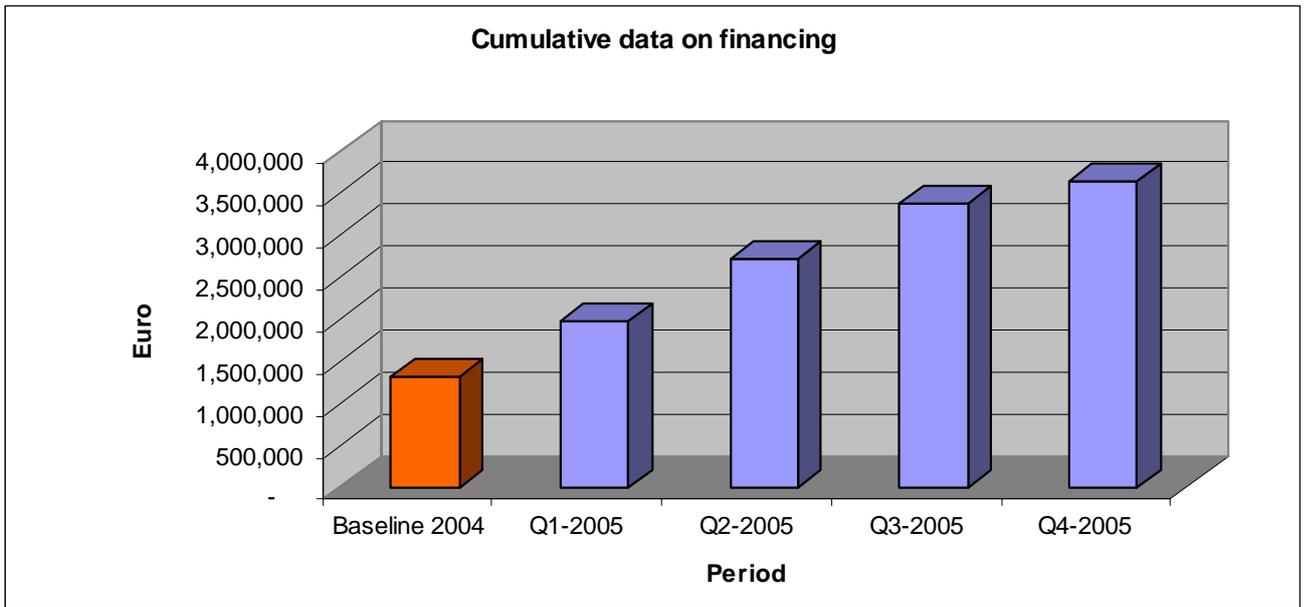
**Graph 1. Sales data**



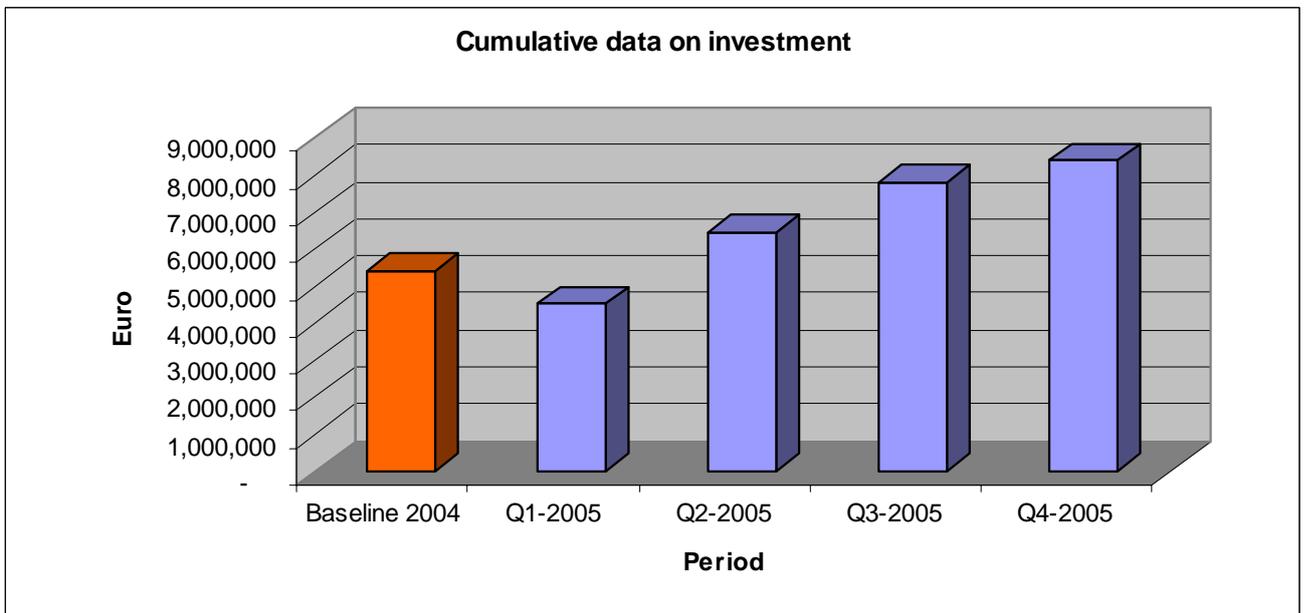
**Graph 2. Full time employment equivalent data**



**Graph 3. Financing data**



**Graph 4. Investment data**



**KOSOVO CLUSTER AND BUSINESS SUPPORT**

**QUARTERLY REPORT**

**QUARTER ENDING: 31 DEC. 2005**

**STRATEGIC ACTIVITIES FUND DATA**

**KCBS Quarterly Report  
Strategic Activities Fund (SAF)  
January - September 2005**

**AWARDS BY CLUSTER**

| KCBS Cluster             | Total Approved € | Total Approved \$ | Total Disbursed € | Total Disbursed \$   | Remaining from Approved |  |                  |
|--------------------------|------------------|-------------------|-------------------|----------------------|-------------------------|--|------------------|
|                          |                  |                   |                   |                      | To Be Reimbursed in €   | Remaining Amount / Activities Closed €** | Total in €       |
| Livestock                | € 311,629        | \$ 393,823        | € 111,403         | \$ 137,945.06        | € 198,727               | € 1,500                                  | € 200,227        |
| Fruits & Vegetables      | € 4,710          | \$ 6,365          | € 4,710           | \$ 5,751.43          | € -                     | € -                                      | € -              |
| Construction Materials   | € 80,537         | \$ 99,960         | € 33,867          | \$ 40,196.94         | € 46,670                | € -                                      | € 46,670         |
| General Business Support | € 165,170        | \$ 211,211        | € 112,212         | \$ 144,300.02        | € 48,658                | € 4,300                                  | € 44,358         |
| <b>Grand Total</b>       | <b>€ 562,046</b> | <b>\$ 711,359</b> | <b>€ 262,191</b>  | <b>\$ 328,193.45</b> | <b>€ 294,055</b>        | <b>€ 5,800</b>                           | <b>€ 291,255</b> |

**AWARDS BY TYPES**

| Types of Awards          | Total Approved € | Total Approved \$ | Total Disbursed € | Total Disbursed \$ | Remaining from Approved |   |                  |
|--------------------------|------------------|-------------------|-------------------|--------------------|-------------------------|---|------------------|
|                          |                  |                   |                   |                    | To Be Reimbursed in €   | Remaining Amount / Activities Closed €* | Total in €       |
| Grants                   | € 186,456        | \$ 227,786        | € 19,921          | \$ 22,912          | € 166,535               | € -                                     | € 166,535        |
| Fixed Price Subcontracts | € 359,919        | \$ 464,226        | € 226,600         | \$ 285,935         | € 127,520               | € 5,800                                 | € 133,320        |
| Procurement of Goods     | € 15,671         | \$ 19,347         | € 15,671          | \$ 19,347          | € 0                     | € -                                     | € 0              |
| <b>Grand Total</b>       | <b>€ 562,046</b> | <b>\$ 711,359</b> | <b>€ 262,191</b>  | <b>\$ 328,193</b>  | <b>€ 294,055</b>        | <b>€ 5,800</b>                          | <b>€ 299,855</b> |

\* Amount that was not spent after the completion of activity/project

Average Exchange Rate for Project Disbursements to date is **\$1.2517** to One Euro

**KCBS Quarterly Report  
Strategic Activities Fund (SAF)  
January - September 2005**

Last Update 29-Dec-2005

| Type of Award                  | SAF Tracking No. | Awardees         | Amount Approved<br>€ | Amount Approved<br>\$ | Date Signed | Award Term  |             | Actual Ending Date | Total Disbursed<br>€ | Total Disbursed<br>\$ | Total Remaining/Approved |                                      | Status |
|--------------------------------|------------------|------------------|----------------------|-----------------------|-------------|-------------|-------------|--------------------|----------------------|-----------------------|--------------------------|--------------------------------------|--------|
|                                |                  |                  |                      |                       |             | Started     | End         |                    |                      |                       | To Be Reimbursed €       | Remaining Amount / activity closed € |        |
| <b>Livestock Cluster</b>       |                  |                  |                      |                       |             |             |             |                    |                      |                       |                          |                                      |        |
| Grants                         | LC-SGA-003       | AGROCOOP         | € 14,060             | \$ 16,940             | 23-Sep-2005 | 26-Sep-2005 | 26-Aug-2006 |                    | € 1,394              | \$ 1,680              | € 12,666                 | € -                                  | *      |
|                                | LC-SGA-005       | KAMP             | € 27,233             | \$ 33,211             | 8-Nov-2005  | 8-Nov-2005  | 7-Nov-2006  |                    |                      |                       | € 27,233                 | € -                                  | *      |
|                                | LC-SGA-006       | SHPUK            | € 31,308             | \$ 38,180             | 8-Nov-2005  | 8-Nov-2005  | 7-Nov-2006  |                    |                      |                       | € 31,308                 | € -                                  | *      |
| <b>Total Grants</b>            |                  |                  | <b>€ 72,601</b>      | <b>\$ 88,331</b>      |             |             |             |                    | <b>€ 1,394</b>       | <b>\$ 1,680</b>       | <b>€ 71,207</b>          | <b>€ -</b>                           |        |
| Fixed Price Subcontracts       | LC-FPS-007       | KAMP             | € 4,894              | \$ 6,614              | 4-Apr-2005  | 4-Apr-2005  | 29-Apr-2005 | 29-Apr-2005        | € 4,894              | \$ 6,525              | € -                      | € -                                  | CLOSED |
|                                | LC-FPS-008       | KODAA            | € 22,297             | \$ 30,131             | 8-Apr-2005  | 8-Apr-2005  | 11-Nov-2005 | 12-Nov-2005        | € 22,297             | \$ 27,704             | € -                      | € -                                  | CLOSED |
|                                | LC-FPS-009       | KDC              | € 23,816             | \$ 32,184             | 8-Apr-2005  | 8-Apr-2005  | 11-Nov-2005 | 11-Nov-2005        | € 23,817             | \$ 29,517             | € (1)                    | € -                                  | CLOSED |
|                                | LC-FPS-011       | BIOLAB           | € 55,050             | \$ 73,400             | 2-Jun-2005  | 16-May-2005 | 31-Dec-2005 |                    | € 20,000             | \$ 24,466             | € 35,050                 | € -                                  | *      |
|                                | LC-FPS-012       | KAMP             | € 5,130              | \$ 6,840              | 13-May-2005 | 13-May-2005 | 10-Jun-2005 | 10-Jun-2005        | € 3,630              | \$ 4,785              |                          | € 1,500                              | CLOSED |
|                                | LC-FPS-013       | KODAA            | € 3,950              | \$ 5,130              | 29-Jun-2005 | 29-Jun-2005 | 15-Aug-2005 | 15-Aug-2005        | € 3,950              | \$ 4,891              | € -                      |                                      | CLOSED |
|                                | LC-FPS-021       | KODAA            | € 3,690              | \$ 4,446              | 12-Sep-2005 | 12-Sep-2005 | 19-Nov-2005 | 17-Nov-2005        | € 3,690              | \$ 4,478              | € -                      |                                      | CLOSED |
|                                | LC-FPS-022       | REA              | € 18,000             | \$ 22,222             | 30-Sep-2005 | 3-Oct-2005  | 16-Oct-2006 |                    | € 1,500              | \$ 1,829              | € 16,500                 |                                      |        |
|                                | LC-FPS-023       | KODAA            | € 21,076             | \$ 26,020             | 14-Oct-2005 | 14-Oct-2005 | 30-Aug-2006 |                    | € 5,270              | \$ 6,349              | € 15,806                 |                                      |        |
|                                | LC-FPS-029       | DUKAGJINI        | € 4,540              | \$ 5,537              | 2-Nov-2005  | 2-Nov-2005  | 11-Jan-2006 |                    | € 4,540              | \$ 5,470              | € -                      |                                      | CLOSED |
|                                | LC-FPS-030       | REA              | € 15,750             | \$ 19,207             | 14-Nov-2005 | 15-Nov-2005 | 15-Oct-2006 |                    | € 750                | \$ 904                | € 15,000                 |                                      |        |
|                                | LC-FPS-031       | BIOLAB           | € 37,539             | \$ 45,228             | 9-Dec-2005  | 10-Dec-2005 | 25-Jun-2006 |                    |                      |                       | € 37,539                 |                                      |        |
|                                | LC-FPS-032       | UBO              | € 7,625              | \$ 9,187              | 23-Dec-2005 | 23-Dec-2005 | 15-Feb-2005 |                    |                      |                       | € 7,625                  |                                      |        |
| <b>Total FPS</b>               |                  |                  | <b>€ 223,357</b>     | <b>\$ 286,144</b>     |             |             |             |                    | <b>€ 94,338</b>      | <b>\$ 116,919</b>     | <b>€ 127,520</b>         | <b>€ 1,500</b>                       |        |
| Procurement of Goods           | LC-POG-001       | KOSOVO VET. LAB. | € 15,671             | \$ 19,347             |             |             |             | 2-Nov-2005         | € 15,671             | \$ 19,347             | € 0                      | € -                                  | CLOSED |
|                                |                  |                  |                      |                       |             |             |             |                    |                      |                       | € -                      | € -                                  | *      |
|                                |                  |                  |                      |                       |             |             |             |                    |                      |                       | € -                      | € -                                  | *      |
| <b>Total Procurement</b>       |                  |                  | <b>€ 15,671</b>      | <b>\$ 19,347</b>      |             |             |             |                    | <b>€ 15,671</b>      | <b>\$ 19,347</b>      | <b>€ 0</b>               | <b>€ -</b>                           |        |
| <b>Total Livestock Cluster</b> |                  |                  | <b>€ 311,629</b>     | <b>\$ 393,823</b>     |             |             |             |                    | <b>€ 111,403</b>     | <b>\$ 137,945</b>     | <b>€ 198,727</b>         | <b>€ 1,500</b>                       |        |

**KCBS Quarterly Report  
Strategic Activities Fund (SAF)  
January - September 2005**

Last Update 29-Dec-2005

| Type of Award                  | SAF Tracking No. | Awardees | Amount Approved<br>€ | Amount Approved<br>\$ | Date Signed | Award Term  |             | Actual Ending Date | Total Disbursed<br>€ | Total Disbursed<br>\$ | Total Remaining/Approved |                                      | Status |
|--------------------------------|------------------|----------|----------------------|-----------------------|-------------|-------------|-------------|--------------------|----------------------|-----------------------|--------------------------|--------------------------------------|--------|
|                                |                  |          |                      |                       |             | Started     | End         |                    |                      |                       | To Be Reimbursed €       | Remaining Amount / activity closed € |        |
| <b>Fruits And Vegetables</b>   |                  |          |                      |                       |             |             |             |                    |                      |                       |                          |                                      |        |
| Grants                         |                  |          |                      |                       |             |             |             |                    |                      |                       | € -                      | € -                                  | *      |
|                                |                  |          |                      |                       |             |             |             |                    |                      |                       | € -                      | € -                                  | *      |
| <b>Total Grants</b>            |                  |          | € -                  | \$ -                  |             |             |             |                    | € -                  | \$ -                  | € -                      | € -                                  |        |
| Fixed Price Subcontracts       | FV-FPS-005       | PESTOVA  | € 1,450              | \$ 1,959              | 29-Mar-2005 | 29-Mar-2005 | 21-Oct-2005 |                    | € 1,450              | \$ 1,637              | € -                      | € -                                  | CLOSED |
|                                | FV-FPS-006       | ANADRINI | € 3,260              | \$ 4,405              | 30-Mar-2005 | 30-Mar-2005 | 4-Nov-2005  |                    | € 3,260              | \$ 4,115              | € -                      | € -                                  | CLOSED |
|                                |                  |          |                      |                       |             |             |             |                    |                      |                       | € -                      | € -                                  | *      |
|                                |                  |          |                      |                       |             |             |             |                    |                      |                       | € -                      | € -                                  | *      |
| <b>Total FPS</b>               |                  |          | € 4,710              | \$ 6,365              |             |             |             |                    | € 4,710              | \$ 5,751              | € -                      | € -                                  |        |
| Procurement of Goods           |                  |          |                      |                       |             |             |             |                    |                      |                       | € -                      | € -                                  | *      |
|                                |                  |          |                      |                       |             |             |             |                    |                      |                       | € -                      | € -                                  | *      |
|                                |                  |          |                      |                       |             |             |             |                    |                      |                       | € -                      | € -                                  | *      |
| <b>Total Procurement</b>       |                  |          | € -                  | \$ -                  |             |             |             |                    | € -                  | \$ -                  | € -                      | € -                                  |        |
| <b>Total F &amp; V Cluster</b> |                  |          | € 4,710              | \$ 6,365              |             |             |             |                    | € 4,710              | \$ 5,751              | € -                      | € -                                  |        |

**KCBS Quarterly Report  
Strategic Activities Fund (SAF)  
January - September 2005**

Last Update 29-Dec-2005

| Type of Award                         | SAF Tracking No. | Awardees      | Amount Approved<br>€ | Amount Approved<br>\$ | Date Signed | Award Term  |             | Actual Ending Date | Total Disbursed<br>€ | Total Disbursed<br>\$ | Total Remaining/Approved |                                      | Status |
|---------------------------------------|------------------|---------------|----------------------|-----------------------|-------------|-------------|-------------|--------------------|----------------------|-----------------------|--------------------------|--------------------------------------|--------|
|                                       |                  |               |                      |                       |             | Started     | End         |                    |                      |                       | To Be Reimbursed €       | Remaining Amount / activity closed € |        |
| <b>Construction Materials Cluster</b> |                  |               |                      |                       |             |             |             |                    |                      |                       |                          |                                      |        |
| Grants                                | CM-SGA-001       | RCAK          | € 12,677             | \$ 16,463             | 12-Jul-2005 | 13-Jul-2005 | 20-Oct-2005 |                    | € 10,121             | € 10,943              | € 2,556                  | € -                                  | *      |
|                                       | CM-SGA-002       | AWPK          | € 12,620             | € 15,580              | 15-Aug-2005 | 15-Aug-2005 | 15-Nov-2005 |                    | € 8,406              | € 10,289              | € 4,214                  | € -                                  | *      |
|                                       | CM-SGA-008       | AWPK          | € 39,900             | \$ 48,072             | 20-Dec-2005 | 20-Dec-2005 | 19-Dec-2005 |                    |                      |                       | € 39,900                 | € -                                  | *      |
|                                       |                  |               |                      |                       |             |             |             |                    |                      |                       | € -                      | € -                                  | *      |
| <b>Total Grants</b>                   |                  |               | € 65,197             | \$ 80,115             |             |             |             |                    | € 18,527             | \$ 21,232             | € 46,670                 | € -                                  |        |
| Fixed Price Subcontracts              | CM-FPS-001       | Naser Kabashi | € 6,500              | \$ 8,784              |             |             |             |                    | € 6,500              | \$ 7,927              | € -                      | € -                                  | CLOSED |
|                                       | CM-FPS-004       | AWPK          | € 2,130              | \$ 2,878              | 22-Mar-2005 | 22-Mar-2005 | 8-Apr-2005  | 8-Apr-2005         | € 2,130              | \$ 2,855              | € -                      | € -                                  | CLOSED |
|                                       | GB-FPS-028       | PARADISO      | € 6,710              | \$ 8,183              |             |             |             |                    | € 6,710              | \$ 8,183              | € -                      | € -                                  | CLOSED |
|                                       |                  |               |                      |                       |             |             |             |                    |                      |                       | € -                      | € -                                  | *      |
| <b>Total FPS</b>                      |                  |               | € 15,340             | \$ 19,845             |             |             |             |                    | € 15,340             | \$ 18,965             | € -                      | € -                                  |        |
| Procurement of Goods                  |                  |               |                      |                       |             |             |             |                    |                      |                       | € -                      | € -                                  | *      |
|                                       |                  |               |                      |                       |             |             |             |                    |                      |                       | € -                      | € -                                  | *      |
|                                       |                  |               |                      |                       |             |             |             |                    |                      |                       | € -                      | € -                                  | *      |
| <b>Total Procurement</b>              |                  |               | € -                  | \$ -                  |             |             |             |                    | € -                  | \$ -                  | € -                      | € -                                  |        |
| <b>Total Construction M. Cluster</b>  |                  |               | € 80,537             | \$ 99,960             |             |             |             |                    | € 33,867             | \$ 40,197             | € 46,670                 | € -                                  |        |

**KCBS Quarterly Report  
Strategic Activities Fund (SAF)  
January - September 2005**

Last Update 29-Dec-2005

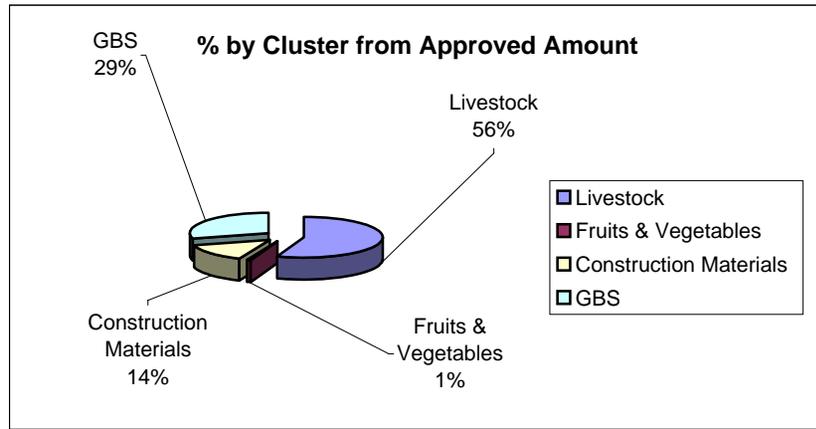
| Type of Award                   | SAF Tracking No. | Awardees       | Amount Approved<br>€ | Amount Approved<br>\$ | Date Signed | Award Term  |             | Actual Ending Date | Total Disbursed<br>€ | Total Disbursed<br>\$ | Total Remaining/Approved |                                      | Status     |
|---------------------------------|------------------|----------------|----------------------|-----------------------|-------------|-------------|-------------|--------------------|----------------------|-----------------------|--------------------------|--------------------------------------|------------|
|                                 |                  |                |                      |                       |             | Started     | End         |                    |                      |                       | To Be Reimbursed €       | Remaining Amount / activity closed € |            |
| <b>General Business Support</b> |                  |                |                      |                       |             |             |             |                    |                      |                       |                          |                                      |            |
| Grants                          | GB-SGA-004       | AKA            | € 35,712             | \$ 43,551             | 8-Nov-2005  | 8-Nov-2005  | 7-Nov-2006  |                    |                      |                       | € 35,712                 | € -                                  | *          |
|                                 | GB-SGA-007       | SCAAK          | € 12,946             | \$ 15,788             | 18-Nov-2005 | 1-Dec-2005  | 30-Apr-2006 |                    |                      |                       | € 12,946                 | € -                                  | *          |
|                                 |                  |                |                      |                       |             |             |             |                    |                      |                       |                          | € -                                  | € -        |
| <b>Total Grants</b>             |                  |                | € 48,658             | \$ 59,339             |             |             |             |                    | € -                  | \$ -                  | € 48,658                 | € -                                  |            |
| Fixed Price Subcontracts        | GB-FPS-002       | KDC            | € 5,670              | \$ 7,662              | 14-Jan-2005 | 24-Jan-2005 | 21-Feb-2005 | 21-Feb-2005        | € 5,670              | \$ 7,662              | € -                      | € -                                  | CLOSED     |
|                                 | GB-FPS-003       | INTEGRA        | € 10,312             | \$ 13,935             | 11-Feb-2005 | 11-Feb-2005 | 24-Feb-2005 | 24-Feb-2005        | € 10,312             | \$ 13,935             | € -                      | € -                                  | CLOSED     |
|                                 | GB-FPS-010       | INTEGRA        | € 61,223             | \$ 81,631             | 19-Apr-2005 | 15-Apr-2005 | 15-Jun-2005 | 15-Jun-2005        | € 61,223             | \$ 80,716             | € -                      | € -                                  | CLOSED     |
|                                 | GB-FPS-014       | CPWC           |                      | \$ -                  | 12-Jul-2005 | 12-Jul-2005 | 15-Nov-2005 |                    |                      |                       | € -                      | € -                                  | TERMINATED |
|                                 | GB-FPS-015       | AFAS           | € 9,505              | \$ 11,881             | 15-Jul-2005 | 15-Jul-2005 | 30-Sep-2005 |                    | € 5,205              | \$ 6,322              | € -                      | € 4,300                              | CLOSED     |
|                                 | GB-FPS-016       | PRISHTINA FILM | € 16,800             | \$ 20,741             | 9-Aug-2005  | 9-Aug-2005  | 24-Sep-2005 | 30-Sep-2005        | € 16,800             | \$ 20,241             | € -                      | € -                                  | CLOSED     |
|                                 | GB-FPS-017       | MDA            | € 1,000              | \$ 1,235              | 29-Aug-2005 | 29-Aug-2005 | 16-Sep-2005 | 16-Sep-2005        | € 1,000              | \$ 1,205              | € -                      | € -                                  | CLOSED     |
|                                 | GB-FPS-018       | INTEGRA        | € 1,001              | \$ 1,236              | 29-Aug-2005 | 29-Aug-2005 | 16-Sep-2005 | 16-Sep-2005        | € 1,001              | \$ 1,206              | € -                      | € -                                  | CLOSED     |
|                                 | GB-FPS-019       | MDA            | € 1,000              | \$ 1,235              | 29-Aug-2005 | 29-Aug-2005 | 16-Sep-2005 | 16-Sep-2005        | € 1,000              | \$ 1,205              | € -                      | € -                                  | CLOSED     |
|                                 | GB-FPS-020       | INTEGRA        | € 1,001              | \$ 1,206              | 12-Sep-2005 | 12-Sep-2005 | 23-Sep-2005 | 23-Sep-2005        | € 1,001              | \$ 1,206              | € -                      | € -                                  | CLOSED     |
|                                 | GB-FPS-024       | KAS            | € 1,500              | \$ 1,852              | 14-Oct-2005 | 19-Sep-2005 | 14-Dec-2005 |                    | € 1,500              | \$ 1,818              | € -                      | € -                                  | CLOSED     |
|                                 | GB-FPS-025       | KBA            | € 1,500              | \$ 1,852              | 13-Oct-2005 | 19-Sep-2005 | 14-Dec-2005 |                    | € 1,500              | \$ 1,818              | € -                      | € -                                  | CLOSED     |
|                                 | GB-FPS-026       | KCC            | € 3,000              | \$ 3,704              | 14-Oct-2005 | 19-Sep-2005 | 14-Dec-2005 |                    | € 3,000              | \$ 3,659              | € -                      |                                      | CLOSED     |
|                                 | GB-FPS-027       | AKB            | € 3,000              | \$ 3,704              | 12-Oct-2005 | 19-Sep-2005 | 14-Dec-2005 |                    | € 3,000              | \$ 3,307              | € -                      |                                      | CLOSED     |
| <b>Total FPS</b>                |                  |                | € 116,512            | \$ 151,872            |             |             |             |                    | € 112,212            | \$ 144,300            | € -                      | € 4,300                              |            |
| Procurement of Goods            |                  |                |                      |                       |             |             |             |                    |                      |                       | € -                      | € -                                  | *          |
|                                 |                  |                |                      |                       |             |             |             |                    |                      |                       | € -                      | € -                                  | *          |
|                                 |                  |                |                      |                       |             |             |             |                    |                      |                       | € -                      | € -                                  | *          |
| <b>Total Procurement</b>        |                  |                | € -                  | \$ -                  |             |             |             |                    | € -                  | \$ -                  | € -                      | € -                                  |            |
| <b>Total GBS Cluster</b>        |                  |                | € 165,170            | \$ 211,211            |             |             |             |                    | € 112,212            | \$ 144,300            | € 48,658                 | € 4,300                              |            |
| <b>Grand Total</b>              |                  |                | € 562,046            | \$ 711,359            |             |             |             |                    | € 262,191            | € 328,193             | € 294,055                | € 5,800                              |            |

# KCBS Quarterly Report Strategic Activities Fund (SAF) January - September 2005

## Graphic Chart Summary

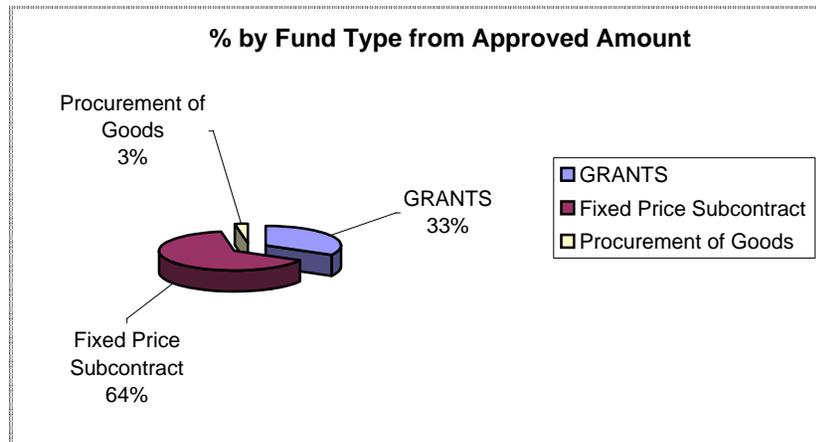
**% by Cluster from Approved Amount**

|                        |           |        |
|------------------------|-----------|--------|
| Livestock              | € 311,629 | 55.45% |
| Fruits & Vegetables    | € 4,710   | 0.84%  |
| Construction Materials | € 80,537  | 14.33% |
| GBS                    | € 165,170 | 29.39% |
| Grand Total            | € 562,046 |        |



**% by Fund Type from Approved Amount**

|                         |           |        |
|-------------------------|-----------|--------|
| GRANTS                  | € 186,456 | 33.17% |
| Fixed Price Subcontract | € 359,919 | 64.04% |
| Procurement of Goods    | € 15,671  | 2.79%  |
| Grand Total             | € 562,046 |        |



**KCBS Quarterly Report  
Strategic Activities Fund (SAF)  
January - September 2005**

**Fixed Price Subcontracts**

| No. | Name          | SAF #          | Description  |
|-----|---------------|----------------|--|
| 1   | Naser Kabashi | CM - FPS - 001 | Draft Standards for Cement, Aggregates and Reinforcing Steel, which will be based on European Norm [UN] standard |
| 2   | KDC           | GB - FPS - 002 | Facilitation of negotiations on Free Trade Agreement between Kosovar and Macedonian partners                     |
| 3   | INTEGRA       | GB - FPS - 003 | Identification of the most important constraints to businesses and recommendations for their removal             |
| 4   | AWPK          | CM - FPS - 004 | Participation and presentation of AWPK at Kosovo Chamber of Commerce Trade Fair                                  |
| 5   | PESTOVA       | FV - FPS - 005 | Potato demo plots for identification of best varieties for processing purposes                                   |
| 6   | ANADRINI      | FV - FPS - 006 | Tomato and potato demo plots for identification of best varieties for processing purposes                        |
| 7   | KAMP          | LC - FPS - 007 | Field trip to Albania to meet poultry, dairy, inputs, crop and feed producers.                                   |
| 8   | KODDA         | LC - FPS - 008 | Demonstration and promotion of new technologies for maize, Soya, sunflower and rape seed                         |
| 9   | KDC           | LC - FPS - 009 | Demonstration and promotion of new technologies for maize, Soya, sunflower and rape seed                         |
| 10  | INTEGRA       | GB - FPS - 010 | Preparation of WB Doing Business Index to evaluate the competitive position of local businesses                  |
| 11  | BIOLAB        | LC - FPS - 011 | Training of one hundred dairy farmers on grade A quality raw milk  |
| 12  | KAMP          | LC - FPS - 012 | Participation in two annual livestock Trade Fairs organized by the MAFRD   |
| 13  | KODAA         | LC - FPS - 013 | Crop production field days (winter wheat, maize and Soya) in all 30 Kosovar municipalities                       |
| 14  | CPWC          | GB - FPS - 014 | Study on constraints and barriers to economic access for women   |
| 15  | AFAS          | GB - FPS - 015 | Administrative, accounting and support services to KAMP and SHPUK  |
| 16  | PRISTINA FILM | GB - FPS - 016 | Preparation of video presentation "Investing in Kosovo"  |
| 17  | MDA           | GB - FPS - 017 | White paper on Infrastructure development for PPD Task group I   |
| 18  | INTEGRA       | GB - FPS - 018 | White paper on Education for PPD Task group II   |
| 19  | MDA           | GB - FPS - 019 | White paper on Quality Standards for PPD Task group III  |
| 20  | INTEGRA       | GB - FPS - 020 | White paper on VAT Analysis for PPD Tax Rationalization Task group   |
| 21  | KODAA         | LC - FPS - 021 | Organization of Corn and Soybean field days.   |
| 22  | REA           | LC - FPS - 022 | Engagement of the Dairy Cluster Implementation Coordinator   |
| 23  | KODAA         | LC - FPS - 023 | Demonstration and promotion of new technologies for red clover, vetch, alfalfa and canola.                       |
| 24  | KAS           | GB - FPS - 024 | Chairing Private-Public Dialog task group of Education   |
| 25  | KBA           | GB - FPS - 025 | Chairing Private-Public Dialog task group of Financial Stability   |
| 26  | KCC           | GB - FPS - 026 | Chairing Private-Public Dialog task groups of Infrastructure and Quality Standards                               |
| 27  | AKB           | GB - FPS - 027 | Chairing Private-Public Dialog task groups of Transparency and Tax Implementation                                |
| 28  | PARADISO      | CM - FPS - 028 | Research on decorative stone production and processing methods   |
| 29  | DUKAGJINI     | LC - FPS - 029 | Analyses of animal feed (maize silage) and recommendations for its improvement.                                  |
| 30  | REA           | LC - FPS - 030 | Engagement of the Dairy Cluster Implementation Coordinator in minority regions                                   |
| 31  | BIOLAB        | LC - FPS - 031 | Milk Production Improvement through training of 120 dairy commercial farmers.                                    |
| 32  | UBO           | LC - FPS - 032 | Feed Grain production and trading survey   |

**Simplified Grants**

| No. | Name     | SAF #          | Description  |
|-----|----------|----------------|--|
| 1   | RCAK     | CM - SGA - 001 | Establishment of the website for the association                             |
| 2   | AWPK     | CM - SGA - 002 | Establishment of the website for the association                             |
| 3   | AGROCOOP | LC - SGA - 003 | Establishing Service Chamber for Farmers in Multiethnic Cooperative Agrocoop |
| 4   | AKA      | GB - SGA - 004 | Implementation of one year strategic plan                                    |
| 5   | KAMP     | LC - SGA - 005 | Implementation of one year strategic plan                                    |
| 6   | SHPUK    | LC - SGA - 006 | Implementation of one year strategic plan                                    |
| 7   | SCAAK    | GB - SGA - 007 | Training of accountants in minority regions on Kosovo Accounting Standards   |
| 8   | AWPK     | CM - SGA - 008 | Implementation of one year strategic plan                                    |

**KOSOVO CLUSTER AND BUSINESS SUPPORT**

**QUARTERLY REPORT**

**QUARTER ENDING: 31 DEC. 2005**

**PROJECT PHOTOGRAPHS**



**KCBS subcontractor, BioLab, conducted advisory services at several dairy farms across Kosovo training farmers in improved milking practices and improved quality.**



**KCBS consultants have advised farmers on proper silage production using new hybrids with high production potential proven in KCBS managed feed crops trials**



**KCBS consultant, Margerita Pestova, implements new cheese making practices at the Rona [Ferizaj] and Shala [Mitrovica] milk processing plants in Kosovo**



On Nov. 9, KCBS organized a Finance Fair at which 442 individuals registered, 389 private companies were represented, all of whom were able to discuss their funding needs with 29 exhibitors from banks, Micro Finance Institutions, and insurance companies.



The Private Public Dialog initiative concluded its first phase on Dec. 12 with a working session attended by all the Task Groups. Consolidated recommendations were agreed, and steps for the next phase developed.



KCBS has sponsored several public outreach programs such as this booth promoting associations as a key vocational training provider at a Ministry of Education Lifelong Learning Conference.



**Bejta Commerce started commissioning of equipment at its new quarry in Novo Brdo.**



**KCBS assisted newly privatized SOE, NewCo FAN, to develop modernization plans.**



**In December, KCBS specialist with UKAJ and KORENICA went to Thailand to investigate engineered wood flooring production.**



**KCBS specialist with 8 members of AWPK attended the Wood Processing Machinery trade fair in Istanbul.**



**KCBS issued a report on the potential for decorative stone development in Kosovo. A brochure specially prepared by KCBS was widely distributed at the Mines and Minerals Congress in London in November.**



**KCBS consultant worked with several apple growers to address past harvest handling methods and improved storage conditions in order to extend storage life and lengthen the marketing season for apples.**



**KCBS consultant gave assistance to the Kosovo veterinary Institute to implement tests for the most prevalent poultry diseases, and taught diagnostic procedures using laboratory equipment funded by KCBS program.**



**KCBS Project consultants trained farmers from 5 different regions in Kosovo how to detect and cure sheep diseases. Brochures containing advice on sheep health and yearly vaccination plan have been distributed to the farmers during these trainings.**