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QUARTERLY REPORT QUARTER ENDING: 30 SEPTEMBER 2006

KOSOVO CLUSTER AND BUSINESS SUPPORT PROJECT



02 October 2006

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EXECUTIVE SUMMARY

During the past quarter of the summer months, KCBS has made significant progress in improving the performance of Kosovo's dairy industry. Many of these improvements have been achieved at no cost but simply by imparting advice on better farming practices. The KCBS presence in the farming community is now fully accepted and the benefits of previous STTA assignments has been communicated among many farmers. The response to recent interventions has been entirely positive. This reaction also makes it easier for KCBS to give credit for many of the improvements to KAMP by taking them to all the field days and workshops. Paid up membership of KAMP has risen from zero at the beginning of the year to 216 at present. The rotobaling project was a great catalyst for increasing membership; over three harvestings, 6,554 bales were produced for 124 farmers. A random sample of 20 farmers showed their milk production had increased between 8% and 15% as a result of the more nutritional forage. This project was supplemented by further improvements in feed rations which also have led to increases in milk yields of 10%-15%. These feed rations were distributed to 263 farmers across Kosovo.

Improvements in reproductive health and calf raising were introduced in the quarter. Eight farms received calf hutches in which to rear new calves and compare results with a non-hutched control group. Weight gain in the hutch raised calves was nearly 100% faster than the control group, and they were significantly healthier. Consequently they will enter the productive milking herd much sooner.

The improved milk quality resulting from KCBS's attention to good milking practices and raw milk testing in the quarter has led to improved productivity at the dairies. The amount of milk rejected by the dairies has been reduced by nearly 4,000 liters/day. KCBS has worked at the farm level, at the milk collection [MCC] level and at the dairies themselves. The groundwork for introducing GMPs and ultimately HACCP has been prepared this quarter, and next quarter a STTA will join the team for an extended assignment to introduce these controls at selected plants. Milk producers are benefiting from higher payments being made by the processors for better quality milk. All KCBS client dairies have benefited from project advice by being able to introduce new products – cheeses, yoghurts and cream. Sheep and goats' milk are now being processed at dairies.

The first export of live lambs since 1999 was achieved this quarter, when 400 lambs were shipped to Bosnia for a price of €25,000. This breakthrough encourages predictions that further sales will be made at the traditional peak periods; however, export access to aspiring EU countries is still impossible. KCBS advice to sheep farmers on more nutritional feed rations has improved milk yields per lactating ewes by 60% and doubled weight gain; a lamb can now take only 60 days to reach its optimal sell weight of 20 kg. Complementing improved feed rations, KCBS has improved pasture management. Work on five demo plots resulted in the sheep grazing the plots increasing their milk production 22%. KCBS provided a STTA to produce better quality milk products and new cheese making procedures. After intervention, farmers were using 30% less milk than previously to make a kilo of "Sharri" cheese.

KCBS has continued to help farmers determine the most productive strains and hybrids of crops such as maize, soya beans, red clover, vetch, canola and alfalfa. Further, KCBS advised farmers on the best time to harvest while still maintaining high nutrient value. KCBS also advised 73 commercial crop producers on a technology package comprising new hybrids, pesticides and fertilizers with included recommendations as how to use herbicides, fertilizers, and application rates. KCBS will continue to work with those responsible for importing seeds, fertilizers, herbicides and pesticides in order to ensure the needed inputs will be available on time for our participating farmers during the fall planting season.

The panic that accompanied the Avian Flu outbreak in most of Europe created severe drops in consumption of both egg and poultry meat. While meat consumption remained low throughout the quarter, egg consumption revived and by end September was at 600,000

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eggs daily – just 10-15% below pre-influenza levels. The KCBS-produced computer feed formulation programs, which had led to a 20% drop in feed costs, were given to the poultry association, SHPUK: it has installed the programs at all major poultry producing operations. The main distributor of feed, Fauna, negotiated several contracts for bulk monthly deliveries of different types of feed with regional suppliers.

The UNDP/FAO visited Kosovo on its mission to assess the capacities of the Balkan countries to deal with Avian Influenza. One important finding was that KCBS was the only donor or donor funded project that had assisted, directly, the KVFA and Poultry Industry in increasing their capacities in disease prevention. During this quarter KVFA lifted the ban on importing day-old chicks from Italy, and by the end of September approximately 500,000 day old chicks had been imported to replenish Kosovo's stocks.

The major success in the fruit and vegetables cluster has been the collection and export of blueberries, which by general consent of the collectors has been the best season ever. By end of September over 600 tons had been collected, worth over €1.5 million, and creating an estimated 180 full time equivalent jobs. Over 1,000 people were involved at one time. KCBS learned lessons from last year, and brought wholesale buyers exporters and collectors for a "kick-off workshop at the start of the picking season. We contacted village elders and particularly sought to attract women and young people to become involved. KCBS also donated 200 hand-held harvesting rakes which made the pickers more productive. The challenge before next season is to develop the facilities to add value to the blueberries in Kosovo – by cleaning, sizing and freezing the berries before exporting.

KCBS facilitated contracts between growers and processors of vegetables, but the success of this initiative has been mixed. Some, like Pestova's, were very successful; others, made with a processor in Albania, were less so. The concept of abiding by the terms of such contracts is unfamiliar to both sides of the industry and it will take further efforts for this to become a routine way for Kosovo farmers to sell their product. The experience has prompted KCBS to develop the market chain, however, and middlemen acting as importer/exporter and wholesale distributor have been identified to take this role in the process off the growers.

In this quarter the Engineered Wood Flooring project moved into the production start-up phase for Korenica, and saw the final factory construction phase for Ukaj. The KCBS team continues to provide focused technical expertise, management and operations guidance to Korenica and Ukaj. Swedeco CEO, Gerald Perlot, visited Kosovo in August and discussed current operations, proposed product mix and production schedules. He saw the initial stages of the production of Beech flooring. With start up of production came the ongoing process of trouble shooting and production processes and procedures, proper tooling, setup and maintenance techniques, and writing O&M manuals and operator instructions.

Swedeco continues to be pressured by their client base in the US to show Chain of Custody (COC) sourced materials. KCBS set up a Forest Certification Task Force in August and has engaged the services of a former Director of FSC Europe as a STTA Forest Certification Specialist. He will work closely with the current Task Force to assess three pilot forests, conduct a study tour, provide training workshops, and develop a concept road map toward FSC Certification for Kosovo forests. KCBS has also hired a former head of the Kosovo Forest Agency as an LTTA, who will act as liaison with the Certification Expert, the Task Force and local agencies, and will coordinate implementation of the road map for FSC certification once designed.

KCBS has tried to improve the procurement process for road construction throughout the season. The private sector is willing to start with EU standards but despite several meetings with representatives of Ministry of Transportation, its officials did not express any willingness to change. Pressure must be maintained on the Ministry. KCBS followed through on the study tour to Germany in the previous quarter by providing a STTA in September. His brief was to improve asphalt production and quarried aggregates by providing hands-on operating assistance at the plants.

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KCBS has worked with four large former SOEs to develop plans for their restart of operations after privatization, expansion and improved management of the companies. We have helped facilitate additional investment and financing. In the next year, KCBS will provide assistance in improving productive capacity and quality, and expanding their access to markets both within Kosovo and regionally.

With the departure of the former Senior Competitiveness Advisor at the end of May, the emphasis of KCBS' work in the business environment changed. Less attention was given to policy and advocacy, and more to consolidating our previous work with developing associations and business service providers. Implementation of some of the strategies, which emerged from the Private Public dialog will be pursued by local institutions.

KCBS began planning and distributing tasks and responsibilities with the local partners for the next finance fair planned for April 11, 2007. This quarter our partner, Crimson Capital, met with banks and microfinance institution to identify needs for new products, such as purchase order financing and leasing that would improve access to capital. Banks expressed interest to receive technical support to improve their products and services and/or educate their management. Improving access to capital will be a major focus in year three.

In its work with associations, KCBS continued to focus on improving their financial management practices and internal governance; supporting their efforts toward self-sustainability, with an emphasis on fee-for-services activities; and working with the local business service providers (either as management companies or providers of selected professional services), so that they can serve better the associations' needs for quality services. In all our activities, KCBS is continuously supporting associations to become independent of donors' support.

KCBS is supporting three industrial associations, RCAF [road contractors], AWPK [wood processors], and KDPA [milk processors]; and three agricultural associations, KAMP [milk producers], SHPUK [poultry and feed producers] and AKA [an alliance of agribusinesses]. This quarter, KCBS finalized the strategic plan for a new association of concrete producers [KACP] with whom we shall work. KCBS has also supported the formation of an association of business service providers, the Business Consultants Council [BCC]. This support address directly two sub-objectives of the program: to increase the use of improved business practices and to strengthen business consulting capacity.

KCBS continued to support business development in Minority regions in Kosovo. Integration with the Kosovo economy and strengthening of market linkages among companies within Kosovo and the region was an important part of KCBS intervention during this quarter.

During the project to date, KCBS has awarded 47 fixed price subcontracts [39 completed], 21 grant agreements [5 completed] for a total award of \$1,272,640; of this, \$855,713 has been disbursed. The award figure represents 63.6% of the SAF budget of \$2.0 million.

Cumulative changes in primary indicators in the 24 months of the project to date are:

- An increase in the value of the sales over baseline of €59.6 million.
- An increase in employment of 1,860 new jobs
- An increase in capital investment of €21.0 million
- An increase in the value of the financing of €9.7 million

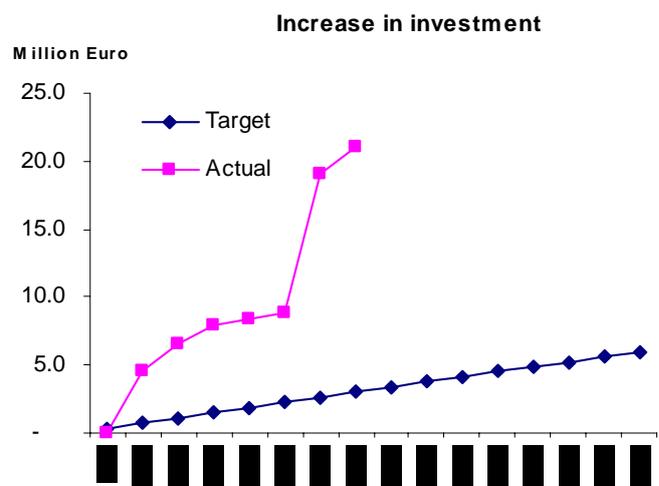
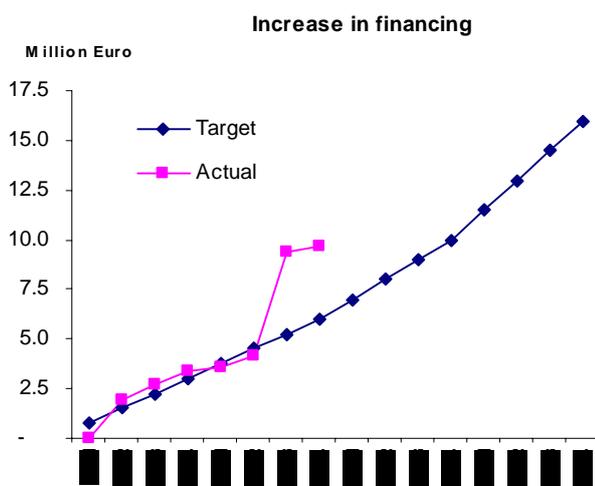
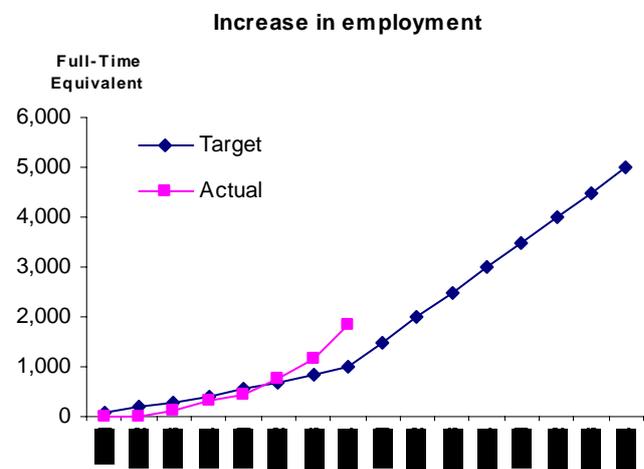
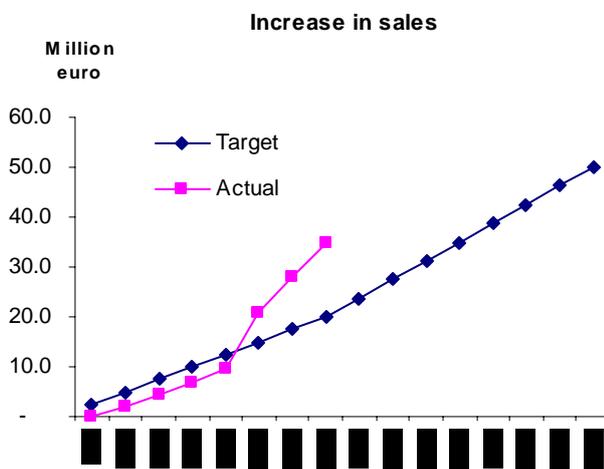
This Quarterly report summarizes progress made in the calendar quarter just ended towards objectives set out in the Work Plan. Each week, KCBS issues a weekly update, which records all of the site visits and meetings, which take place, and the subjects of concerns, opportunities and further action required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

A Glossary of Acronyms is appended at the end of this Report.

PERFORMANCE SUMMARY

Cumulative changes to date in primary indicators

	After 24 Months	
	Target	Actual
Number of companies assisted	n/a	85
Increase in sales compared to baseline – euros (in millions)	20.0	34.7
Increase in sales over baseline - %	10%	44.5% ¹
Increase in FTE jobs	1,000	1,860
Increase in financing – euros (in millions)	6.0	9.7
Increase in capital investment – euros (in millions)	3.0	21.0



¹ Total aggregated sales by companies to date are €12,766,865. The aggregated total of the corresponding baseline figures for the same period during which companies have been KCBS clients is €78,046,227.

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1.0 WORK PLAN RESULTS ACHIEVED

1.1 Projected 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. In addition to results reported in the previous three quarterly reports, during the past quarter the following additional results were achieved:

- Five model least-cost silage bunkers constructed and in use *[Activity complete]*
- 20% improvement in milk production on farms that implement feed grain concentrate feeding programs *[Improvement achieved]*
- Artificial insemination program introduced for inseminating 3,000 commercial cows with dairy cattle semen at farms that are currently using AI *[Activity complete]*
- Artificial insemination program introduced for inseminating 1,000 commercial cows with dairy cattle semen at farms that are NOT currently using AI *[Activity complete]*
- Double production of “Grade A” milk from 47,000 liters per day in August 2005 to 90,000 liters per day in August 2006. *[“Grade A” last year was loosely defined. It was equivalent to what is covered by the MAFRD’s standards for Grade A and Grade B. Production of these two grades now exceeds 100,000 lit/day]*
- Amount of milk not accepted by dairy processors as being below required quality reduced by 3,000 liters of milk per day. *[Reduction achieved. 4000 lit/day of milk is being sold to Devolli and Abi from 6 MCCs whose milk previously was not accepted.]*
- Establish one model milk collection center to serve as an example to all other centers *[Activity complete. MCC identified]*
- Demonstrations completed of workable private sector approaches to providing needed farm level extension support. *[Activity completed]*
- Two commercial dairy products that are cost competitive with imported dairy products are developed and introduced to the market. *[Activity complete. Several new cheeses introduced, as well as sheep and goats’ milk and derived products]*
- Establishment of an EU certificated lamb and sheep meat production and processing operation. *[A first truck was loaded with 400 lambs from six sheep farmers, gathered at two collection centers in Kaqanik and Lipjan, with the average live weight of 25 kg]*
- Establish intercropping regime using a legume such as rape seed, alfalfa, red clover or vetch with five model farms *[Activity completed]*
- Assist AKA and KODAA to develop for their members two new fertilizer formulas properly suited for the Kosovo conditions *[Activity completed]*
- Yield results from test plots of corn, soybean, rapeseed and red clover disseminated to 200 farmers *[Activity completed]*
- Test plots with 5 sample sheep farmer demonstrating proper pasture management *[Activity completed]*
- 40 samples of alfalfa taken at different stages of growth and analysed *[Activity completed]*
- A “model” business plan developed for commercial feed grain farm that can be used for obtaining commercial financing from two banks *[Activity completed]*
- Develop cost analysis for on-farm soybean extruding and implement soybean extruding on two model farms *[Activity completed]*
- Cost advantages of pelletizing feed grain in Kosovo is identified and communicated to SHPUK *[Activity completed]*

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- Model business plan developed for layers and broiler operations that are submitted to banks for commercial financing [*Activity is completed*]
- At least two poultry operations are privatized with KCBS assistance [*Activity is completed. Unfortunately Koni-Soni were unsuccessful in privatizing the farm in Gjakova, no other poultry operations were placed for privatization*]
- Acquire “new technology” orchard production machinery for demonstration purposes; this will include pneumatic tree pruning equipment, an in-row orchard cultivator and a low water volume air blast sprayer [*Activity complete. Fruti Association received the pneumatic pruning equipment and the in-row orchard cultivator; the Association financed the purchase of the air blast sprayer*].
- At least one domestic producer of waste containers selling to replace imports [*CDF placed an order for 95 new waste containers with LamKos*].
- Develop a plan to address existing gaps in Kosovo financial markets [*Year Three work plan specifically addresses these matters – Access to Credit will be major focus of KCBS in Year Three*]
- Complete training manual for associations in how to evaluate training needs, estimate demand, and price courses [*basic material provided by STTA and presented to BCC and trade associations to develop*]
- Conduct a SWOT analysis of existing business service providers; and Conduct benchmark research on business service provider development in other regional transitional economies [*Both activities completed under subcontract with UBO Creations*]
- Assist local business service providers to develop private sector infrastructure programs addressing issues of advocacy and transparency [*an on-going process initiated under the P-P Dialog*]

1.2 Projected Results Not Achieved

The following results were not achieved as scheduled:

- One model farm building with proper silage bunkers open for demonstration to other farmers on proper dairy cow housing and management. [*Mujota farm identified and being prepared for demonstrations; a SAF grant will complete the preparations in the fall*]
- Commercial laboratory for testing raw milk and final dairy products established and in operation. [*The commercial lab has not yet been established. The dairy laboratory survey report has been completed. In Kosovo there are available two FOS sophisticated microbiology lab machinery at KVFA. There is interest from KVFA to support dairy industry with two testing equipments for self quality control. The lab is expected to start operation on Jan 07. KCBS will assist KAMP and KDPA on organizing the structure of lab sampling and lab testing of dairy products*].
- One milk processing plant employing all the correct procedures and GMPs is accepted as a model for demonstration to others. [*Incomplete. Implementation of GMPs started at Abi dairy, but is not yet sufficiently advanced to be used for demonstration*].
- Meat Processors Association [MPA] initiate new service for lamb and sheep meat slaughtering facility [*No interest has been expressed by the meat processors in these animal carcasses; a larger export market is needed to generate interest*]
- At least one contract signed between foreign purchasers and domestic producers of wool [*A Macedonian importer has agreed to purchase wool, provided it is collected and packaged by a Kosovar distributor. This was arranged in September*].

- Provision of alfalfa seed for multiplication *[Delayed because of difficulty in finding a suitable partner to supply parent seeds. Seminarna will now partner; KCBS will conduct a market analysis early in Year Three]*
- At least one breeder flock operation and hatchery established *[Grant approved; hatchery will be established in first quarter of Year Three]*
- Market share of locally produced chicken meat increased by 100% *[Activity not completed due to Avian Influenza]*
- One pelletizer is installed at one feed mill, to serve as a model for the poultry industry *[Grant approved; pelletizer will be installed in first quarter of Year Three]*
- At least three F&V growers starting the process of conforming to EurepGAP practices. *[Activities to improve food safety were shifted from growers to producers when, in March 2006, a STTA was engaged to screen processors for inclusion in a future program for HACCP certification; this program is scheduled to launch in the Quarter One of project Year Three.]*
- Establish packing and grading facilities for two fruit associations. *[Final drafts for SAF grants are in preparation by three associations for grading/sorting/packing equipment: Agrocompani Association for a potato packing line; Dragash Association for a sorting machine for blueberries and a drying machine for blueberries and juniper berries; and Pema Association for a packing line for apples. Implementation will follow early in project Year Three.]*
- Installation of seven refrigerated cold rooms for improved F&V storage. *[A SAF grant is in final preparation from UVB Association for five cold storage rooms for apples, and another is in-process for a new cold storage facility meeting HACCP standards for As Promet in northern Kosovo, a processor/handler of mushrooms, raspberries and blueberries. Implementation for both will be in project Year Three.]*
- New processing equipment installed in at least one processing company, such as and IQF freezing line in Ragova for Zahaqi Association. *[KCBS decided to put on hold this installation until next blueberry harvest season]*
- Complete implementation plans for two new value-added products produced by Kosovo processing companies. We expect these will be IQF blueberries and dried onions. *[We need to have HACCP certified processors before we will see exports of new products.]*
- Promote a quality Kosovo brand. *[In cooperation with EAR's Marketing Support Project, plans are underway to organize a donation of about 2,000 cartons to each of three associations with new "Kosovo Apples" logo on them. This will be an experiment to test the hypothesis that properly graded and packed large apples can command a sufficiently high price in the marketplace to warrant the costs of grading, sorting and packing them into proper packages. This test will be conducted in December 2006 and January 2007.]*
- Lumber grading rules defined, disseminated to primary and secondary wood processors and in general use *[This was an ambitious goal, pressed for by the Wood Processors Association. It was KCBS intent to use Wood Combine Co. as the leader in this activity, but their cooperation failed to materialize].*
- EN standards for wood products used in construction reviewed, translated, submitted to MTI, and in general use *[This, too, was an ambitious goal, pressed for by the Wood Processors Association. Absent any testing facilities in Kosovo, it is also meaningless].*
- Two foreign investments resulting in production of decorative stone blocks for local and foreign markets *[KCBS passed the contacts and initiative for future investments on to the EAR funded Investment Promotion Agency at the Ministry of Trade and Industry]*

11.0 PERFORMANCE-BASED MANAGEMENT SYSTEM

11.1 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.

During this quarter, we continued to collect the data and prepare reporting according to the new methodology developed in the previous quarter. All issues and concerns faced earlier with reporting finally have been solved during this quarter. Adequate changes have been made to the database to reflect these changes.

11.2 Data collection

The data is collected from 85 companies in all three clusters.

From this number of companies, 14 companies are not active. In this quarter one company, KB Zahaqi in Fruit and Vegetables cluster, became in-active.

No problems were identified in collection of data on primary indicators. However, the major problem remains collection of data from the Agency for Business Registry, which is under MTI. Every quarter it is enormously difficult for PBMS specialist to collect the data from that source, even though the Agency has agreed to cooperate with KCBS. The data from other ministries or agencies, such as Ministry of Finance or Statistical office of Kosovo is received on regular basis.

Indicators for performance at the quarter end are as follows:

	After 24 Months
Number of companies assisted	85
Number of active companies	71
Increase in sales – euros (in millions) ***	34.7
Increase in sales over baseline – in %	44.5%
Increase in FTE jobs	1,860
Increase in financing – euros (in millions)	9.6
Increase in capital investment – euros (in millions)	21.0

*** Total aggregated sales by companies to date are €112,766,865. The aggregated total of the corresponding baseline figures for the same period during which companies have been KCBS clients is €78,046,227.

2.0 DAIRY SUB-CLUSTER

2.1 Dairy cattle housing

Year Two goal for setting up a model dairy farm with proper dairy cow housing and management was achieved. “Legjendasi” (Mujota) dairy farm has been selected as a model demonstration dairy farm thus interested farmers from all Kosovo will be able to go to see how an efficient dairy farm should look and function. Mujota dairy farm is the best option with minimal management problems and better cow housing conditions than most. It has good records and good natural lighting and ventilation. To maintain good growth and production levels, the animals need good air quality that provides an adequate supply of fresh air inside the barn. This means controlling the temperature to obtain acceptable levels of moisture, gases and dusts. An MOU (Memorandum of Understanding) is prepared that obligates the farmer and KCBS to commitments for cost sharing the finances for purchasing a closed milking system and using the farm as a training tool thereafter.

Signing the MOU means the farmer agrees to allow farm visits at his farm as recognition of the help provided to the model farm and follow the good management practices outlined in the MOU.

2.2 Forage quality

Properly constructed silage bunkers allow improved compression and sealing of the silage stack improving significantly silage quality and reducing waste. An improperly sized bunker can be almost impossible to manage for high quality silage. High quality silage is the result of proper sizing, and management. To minimize spoilage losses, herd size and bunker size must be compatible. KCBS advised dairy farmers to build silage bunkers with a slope to allow drainage of rain or snow. Failure to do so will lead to different moisture levels of the silage and as result quality of silage will deteriorate. Walls of silage bunkers should also slope outward about 3.5 cm for every 30 cm of depth. Five least cost silage bunkers have been constructed based on the advice provided by KCBS. Additionally KCBS through KAMP has successfully completed the rotobale project on improving hay forage. Better quality corn silage and hay forage is the most economical way to increase milk production.

2.3 Balanced rations and improved feeding

The dairy feeding program affects productivity and profitability more than any other single factor. By working with specific dairies (large, small, intermediate) KCBS has demonstrated that improved feeding programs will elicit more milk along with a profound economic impact within a week of implementation of the new ration.

Two hundred ninety-seven generic rations using soybean meal (SBM) were formulated using 36 combinations of forage and malt. One hundred eight rations were formulated using sunflower meal. These feed rations have been distributed to 263 dairy farmers through REA dairy coordinators additional rations have been delivered through KCBS and extension service personnel. Dairy farmers who implemented these rations experienced increased in milk yield by two liters/cow/day on average.

Through MPIP (Milk Production Improvement Project) 120 dairy farmers have been trained at their farm on how to mix different feeding ingredient to prepare improved dairy concentrated feed that will meet nutritional requirements of the dairy cows at least cost. As a result of this on the job training, milk yield increased by 3 liters/cow/day on average. KCBS continued to emphasize the importance of using premixes in the daily ration. Demand for dairy premix produced based on Dr. Roy Chapin’s formulation is increasing steadily.

2.4 Reproductive health

Dairy cattle worldwide are reproducing at a less than optimal rate. Reproductive efficiency and dairy farm profitability are maximized when the average calving interval for a herd is

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around 13 months. In order to improve reproduction during this year KCBS focused in two important areas, the heat detection rate and the conception rate.

Methods to synchronize estrus have been developed and used in many dairy herds to manage reproduction more efficiently. Many dairy farmers were ignoring reproduction entirely for five months after calving, thinking that with one service after calving cows are bred without doing pregnancy checks. KCBS contracted a cattle reproductive health specialist who examined the reproductive health of dairy cows at 25 commercial dairy farms with 973 cows in total. He conducted rectal pregnancy checks, and inseminated cows that were in estrus utilizing high quality US semen. The majority of these farms were using natural insemination to breed their cows. The contractor advised dairy farms about the possibility of transmitting 7 infectious genital diseases from bulls to dairy cows resulting in reduced reproductive performance of the dairy cows. This assignment was aimed at promoting regular post-partum (after calving) exams at 10 to 20 days to minimize the frequency of endometritis, which is currently devastating the reproduction efficiency in Kosovo dairy herds and to motivate farmers to switch from natural service to AI.

2.5 Calf rearing

Up to now the expansion of the dairy industry has been dependent on imported dairy heifers. None of the commercial dairy farms had facilities or the management expertise to raise even the few calves that were born on their farms. To help promote a sustainable dairy industry, KCBS initiated a heifer-raising program. This program will generate high quality heifers with superior genetic capabilities that are also acclimated to Kosovo at less cost than imported heifers within two years.

KCBS introduced 36 individual calf hutches on 8 farms to demonstrate an economical way of eliminating many of the problems that are obvious at this time. The cow numbers of these farms will contribute to approximately 120 calves. Dr. Roy Chapin formulated rations for successfully raising calves and heifers that will enter the productive milking herd at industry accepted ages of 23 to 26 months. During this quarter KCBS monitored the progress of calves raised in hutches compare to calves raised in the conventional way. The average daily weight gain of five calves raised in hutches at Rudina dairy farm was 0.820 kg while the average daily weight gain of calves raised in the traditional way was 0.470 kg. Calves raised in hutches also had fewer health problems. KCBS prepared a brochure on raising calves and heifers that is being distributed to commercially oriented dairy farmers.

2.6 Genetic improvement

A major cause of the inferior reproduction performance found today is a result of a large number of difficult births that are taking place on the farms. There are several factors contributing to this, the major factor however, is failure to select semen from bulls known to sire calves that are delivered easily (calving ease sires). During this year 14,000 straws of bull semen were imported including 10,000 of the Simmental breed from Swiss genetics and 4000 units of calving ease semen from World Wide Sires, an American Company. With the arrival of the American semen, the farmers now have not only the choice of calving ease semen, but also a choice of over 30 different body characteristics that contribute to healthy and profitable cows.

Additionally 26000 straws of Holstein semen have been imported from Ireland and it is being distributed free of charge from Heifer International to Kosovo dairy farmers.

The semen donation from Ireland has hurt the sales of the US semen. To improve milk production and profitability farmers are being advised to use proven quality bull semen.

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2.7 Farm records

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 farm business. Success of the dairy operation is largely dependent on analysis of accurate records. The Dairy Herd Improvement (DHI) record system has been installed at KCBS and 8 dairy farms are enrolled in the program. This will be an ongoing farm records program that began using students. The program will expand to cover more farms in the future.

On KAMP's request MTI (Ministry of Trade and Industry) approved the financing of the development of a model business plan for commercial dairy operations through the voucher scheme program. This model business plan will be provided to dairy farmers on their request when applying for privatization of SOE as well when applying for a loan at loan institutions.

2.8 Milk quality improvement

Project intervention on increasing functionality and operation at existing MCCs has been started on three MCCs and 77 farms with 389 milking cows producing for Abi dairy plant 4,225 lit of milk/day. Bio lab has tested: water added on milk, CMT mastitis test, Blue Methylen test of raw milk on MCC's. From the MCCs the quality of milk received in dairy plant has been increased. Up to 20 % added water was present before intervention, and the % of proteins has lower as a result of water added. After intervention the % of fat content has been increased 30%: 3.4-3.6% of fat (before 2.8-3.0%). Amount of milk production has been increased by 370 lit of milk /day (4595 lit/day). Fat and protein content of milk increased resulted with higher quality of final dairy products on mozzarella and white cheese. Abi dairy plant staff will continue with lab testing intervention in all 20 MCC's. The project intervention will continue to be implemented at five MCCs for Ajka, Golaj and Devolli dairy plants. KCBS assisted MCCs with lab testing analyzer, milk cans and tools kits for cleaning.

Raw milk quality at collection points continues to improve from previous KCBS interventions. The milk quality testing system at eight milk collection centers and 90 dairy farmers is improving. Main topics of the training during the subcontracts included: production of quality milk, storage of milk, transportation requirements, milk hygiene and milk testing techniques. The California Mastitis Test was introduced to dairy processing plants and followed by MCCs on detection of sub-clinical mastitis as well as tests for fat content and acidity with milk analyses.

Milk processors are seeing the results of training provided by KCBS on milk quality improvement at the farm and MCC level. Amount of raw milk not accepted has been reduced more then 3800 lit/day. The collection of grade A and grade B milk quality has been increased. KCBS with KDPA will prepare the general conditions for all members applicable to the payment scheme for raw milk based on quality. Linking the intervention on raw milk quality at farms and MCCs with introducing new processing technology at dairy processing plants, has resulted with improved quality of final products and increased yields. Abi, Golaj, Lahor, Rona, Ajka, Kabi dairy processing plants have lowered their conversion rates for producing white cheese, feta cheese, yellow cheese by 2.0 liters of milk per kg.

KCBS continued to assist MAFRD on preparation of administrative regulation and on implementation phase on milk quality payment scheme for next three years.

2.9 Milk Collection Centers

Previous project intervention on basic training on 10 MCCs are showing the results. Bio Lab consulting company trained three MCCs serving Abi dairy plant with demonstrations on proper milk collection and testing procedures in order to select raw milk at MCC before sending to dairy plant. The best MCC has been selected Results have been achieved and next step is that KCBS will assist with basic testing and collection equipments on MCCs.

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Third step completed the intervention with STTA on identification of the best MCCs has been completed and the STTA is ready to start implementation of GMP standards. Basic instruction for standards requirements has been prepared and provided to 5 MCCs. Food safety standards and good manufacturing practices at MCCs has been made. Almost all persons who attended the meetings are directly involved in managing the processes. Managers were educated on different topics for GMP management such as: good hygiene practice at the dairy plants, management of MCC, record keeping, cleaning procedure, and proper way of work in order to minimize possibility of cross contaminations. Potential 2-4 MCCs has been selected to continue with GMP standards implementation. The goal was to increase the hygienic level at the collecting centre and to maintain the milk quality up to the moment of delivery to the dairy plant. The following topics were included in the discussion: selection of proper cleaning chemicals for cleaning the enterer, equipment and utensils; selection of equipment for cleaning the enterer and milk equipment; procedure for cleaning the milk equipment; disinfection of the enterer, equipment and utensils; proper sampling for microbiological and chemical analysis; application of blue methylene test and evaluation of the results; training for handling with Lacto scan and pH meter.

MCCs that benefited from KCBS project intervention in third quarter are in operation and the lab testing procedures are implemented.

Kosovar Serb MCC in Lypjan has stopped operating. Bylmeti is collecting milk direct from the farmers. In North Mitrovica/Zveqan, a new MCC with 1200 lit capacity will be open next month to assist Albanian and Serbian dairy farmers. The policy of having double lactofreeze at one MCC is showing good results at the two MCCs in Gjurkocv and Istog.

A new subcontract intervention "Increasing efficiency and operation at existing MCCs" was started with implementation by Bio Lab. The project will cover direct training intervention at 8 MCCs, 161 farms supplying 4 dairy processors. The subcontract has completed the intervention on three MCC for Abi dairy plant. KCBS has support with training and equipment in order to improve the quality of milk from farm to dairy processing plant. As a part of agreement between KCBS and dairy processors for implementation of the project, Abi and Devolli has contributed with two new cistern trucks to pick up the milk from MCC.

Ajka is working on setting up two new MCCs in Prizren region with capacity 2,400 lit, an obligation what Ajka accepted to contribute before Bio lab project intervention on increasing functionality and operation on MCC. Glllogjan MCC has improved the lab testing procedures; Bec MCC has started to implement basic standards on milk collection and testing of raw milk. In general, the expectation is that Grade A milk collection will increase by 8-9,000 liters. In the next quarter.

2.10 Final dairy product quality testing

In six dairy plants KCBS STTA's recommendations continue to be followed. The STTA visit demonstrated test requirements before receiving raw milk, after pasteurization, on product in process and on finished product. The lab testing procedures recommended by STTA have been implemented in dairy plants. Improvement of lab testing methods is critical for implementation GMP basic standards, food safety standards and good manufacturing practices

KCBS completed the dairy lab survey situation and came with specific recommendations. KCBS with KVFA are working closely on finding the way to activate the milk testing equipments owned by KVFA but which has lain unused for more than two years. Deadline is Jan 07 to activate Microbiology lab testing equipments to serve for testing dairy products. There is no microbiology lab testing of raw milk in Kosovo. KAMP and KDPA have selected the quality control committee to work on quality standards and to increase the quality control of dairy products.

Standards for milk quality payment system KCBS has prepared and presented to KAMP and KDPA members.

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KCBS during processing technology intervention trained four dairy processors on quality requirements of processing technology for specific products according to GMP and HACCP standards requirements.

2.11 Milk processing plants

KCBS contracted Bio lab Consulting company which completed intervention in Prizren region for three MCC and 161 farmers for Abi dairy plant. Lab testing procedures were implemented in MCCs in order to increase milk quality received by dairy plant. The schedule is to continue the same level of intervention in three other dairy plants Ajka, Golaj and Devolli. The project intervention in the same time is implementing the basic standards of GMP requirements.

Abi agreed to employ one more person who will be responsible for Quality Control Department and have crucial position in GMP implementations.

STTA recommended implementation of GMP to be carry out at the model 1 or 2 Dairy Plants. Dairy Plant ABI has required resources and capability, and will be the best for implementation; the other two, Golaj and Ajka Dairy Plants, will follow its example. With Abi dairy plant STTA has prepared general standards for GMP implementation.

The results from KCBS interventions in developing new products are improving every month. Dairy plants involved in new product development are Rona, Ajka, Shala, Lahor, Kabi and Abi. The processing plants are producing new products, which have higher quality because of in-farm and in-MCC intervention before reaching the milk processors. New products include Gouda, cheddar and cream cheese, stirred set yogurt, and cream, mozzarella cheese, and recently cheeses processed from goat and sheep milk. The processing technology is being improved every month for each new product:

- Abi is daily processing 800 kg of Mozzarella cheese, requiring 8,000 lit of raw milk.
- Rona is processing 500 kg of white feta cheese obtaining yields of 1 kg from 4.5 lit of raw milk.
- Ajka is processing 30 kg of Gouda and 150 kg of Feta cheese per day.
- Kabi is processing 100 liters of Ajran and 200 kg of cream per day.
- Assisted by STTA Golaj dairy plant developed new product white cheese 516 kg/week or 2912 more lit of milk.

Goat and sheep milk will be collected only seasonally, up to Sept 06.

All these quantities are additional outputs following KCBS interventions per each month.

Dairy Marketing Promotion events organized around Kosovo to promote the new cheeses and other milk products, introduced with the support of KCBS project, have resulted in increased sales by the dairies in new products. Sales continue to grow. Specialized buyers like restaurants and pizzerias are becoming regular customers.

In addition to increases in cheese production from cows' milk, the same six dairy processing plants with KCBS assistance have continued to process products from goat and sheep milk. In last quarter, these products have realized €30,000 from 55,000 liters. Currently, Kosovars consider this a seasonal production activity lasting about four months; KCBS is looking into extending this period since dairy plants are requiring regular supply with raw milk all the year.

Rona and Ajka are in the best situation with four new products. With new moulds purchased for Gouda cheese, both these processing plants will increase gouda cheese processing by 200 kg per day. 70 special forms/moulds for Gouda commercial processing have been purchased from Holland. Teknik plastic company was service provider.

KCBS is supporting in continuation Kabi, Rona, Abi specifically in building up new processing plants based on GMP and HACCP basic standards. KCBS has started to

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prepare GMP standards forms at Abi dairy plant. KCBS is continuing to assist Kabi, Ajka, Abi in preparing workflow plans in order to improve efficiency on their processing lines.

The USDA Cochran Fellowship project has been approved and participate Abi and Devolli dairy plant on study trip in US on Dairy management & dairy processing fro 16-31 Aug 06. The training covered: Milk production system, lab testing process, breeding, feeding system, independent and public laboratories role and actions, law and regulations, association system of support dairy industry, institutions support and direct assistance on processing technology in dairy plants. The most important topic covered during the training in US was: How the system was established with strong law and regulation with specific actions regulated for implementation of law.

KCBS prepared 16 label designs for new dairy products developed at Abi, Shala, Kabi, Rona implemented by New Design Company.

KCBS completed the market research on situation of label design. Market research covered "Current market trends of label design development for new products". From the research came the conclusions that the processors should improve: Investment in design, Investment in promotion, make the trade mark visible, to promote new brands, consistency in design, consistency on quality of packaging, to increase the quality of transport, to develop market strategy.

2.12 Work of Associations in Cluster

KCBS is supporting growth of KDPA membership by insisting a dairy processor be a paid-up member of KDPA in order to receive benefits from the KCBS project. The activity resulted with a few responding on payment of membership fee partly. KCBS assisted one Serbian Kosovar owner on preparation applications for Licensing.

Current 15 members of KDPA are licensed by MAFRD KVFA inspection.

In order to be prepared and to understand the current situation of the dairy industry regarding GMP and HACCP standards requirements, KCBS held a training seminar for MAFRD, local government representatives and inspectors entitled "*What are GMP and HACCP standards, activities planned and needs for supporting activities*".

KAMP and KDPA organized Dairy conference together with MAFRD. The main topic covered was the importance of reducing imported cheeses and milk powder during the summer season when Kosovo's raw milk production will double. The goal is to maintain sales of raw milk to the processors. Following the conference, KDPA and KAMP together with MAFRD and UNMIK Pillar IV prepared the material for customs authority to increase the base of taxation for imported dairy products. The import duty for dairy product UHT milk has been increased by 3-8 cents per liter, cheese imports by 50 cents per liter; milk powder import taxation has been increased. The impact from this intervention will be seen next months in continuation. KDPA and KAMP will continue to work with Customs authority to verify the results implemented.

KDPA together with KAMP has established joint commission for quality control and selected four members of the committee. An independent expert, yet to be confirmed, will serve as Chairman. The new committee will prepare a jointly agreed payment scheme for raw milk payments based on quality. KCBS held a training program for KDPA on the milk quality control scheme to be developed up to year 2008.

Further information on KAMP and KDPA activities is given under 8.2.2 and 8.2.3 below.

3.0 MEAT SUB-CLUSTER

3.1 EU Export quality control

During this quarter KCBS worked on live lamb export procedures. After months of coordination between these two companies and the two governments (Kosovo and BiH) all obstacles were finally removed and doors for exporting live lambs from Kosovo to Bosnia were opened. The agreement between Delfini from Kosovo and Lijanoviqi from BiH provides for the export of up to 15,000 live lambs from Kosovo to Bosnia in a period of one year. Together with Delfini (Kosovar Company) and Lijanoviqi (Bosnian Company) loaded and sent truck with live lambs to Bosnia. The first truck was loaded with 400 lambs from six sheep farmers, gathered at two collection centers in Kaçanik and Lipjan, with the average live weight of 25 kg (total 10,000 kg). The price was € 2.5/kg and the total value of the shipment was €25,000. The average price at 2005 was 1.5/kg euro live weight while at the same time in 2006 was 2.5/kg euro live weight. This was the first export of live lambs since 1999 and the sheep farmers were very excited; they have an immediate interest in increasing their sheep flocks.

There is a huge market for Kosovo-produced lamb, particularly in the EU and Bosnia Herzegovina. The BiH market is a large lamb consuming market throughout the year. A particular delicacy is the roasting of whole carcasses on the open fire at restaurants. The peak periods are: the Easter, the summer tourist season, and the Christmas/New Year period.

Sheep sector needs to produce safe, high quality sheep milk products that meet the needs of the consumer. In this quarter KCBS has worked with sheep farmers to implement GMP including standardized process in order to improve the quality of their sheep cheese while increasing their yields. KCBS developed standard procedures for all aspects of Cheese production (hard and soft cheese) including chemical, physical, and microbiological criteria, as well as percentage of ingredients, consistency, and storage. Sheep farmers who have started to use the new technology for preparing the Sharri cheese realized a cheese production. Before the interventions the ratio of milk: cheese was 4:1 (4 liter milk, 1 kg cheese), after interventions of KCBS the ratio of milk cheese is 2.8:1.

KCBS helped sheep farmers to improve good milk production practices that will result in higher quality raw sheep milk and ultimately higher quality sheep milk products. As a result of STTA raw milk quality after milking sheep continues to improve. Main topics of the training during the subcontracts included: production of quality milk, storage of milk, transportation requirements, milk hygiene and cleaning and disinfections of milk containers and equipment.

3.2 Increased lamb & milk production

Nutrition affects lamb and milk production. Nutrition is a major problem that needs to be addressed urgently if we are aiming to have a sustainable sheep industry in Kosovo. KCBS has continued to assist sheep farmers on feed improvement for dairy sheep and lamb feeding by distributing sheep and lamb rations to sheep farmers. KCBS formulated and mixed a lamb starter, a lamb grower and ewe lactation ration and distributed to the sheep farmers. KCBS has doubled the milk yield per lactating ewes from 0.4 to 0.65 liter per day. After they start to feed the ewes with concentrate the milk production went up for 0.250 liter per day (0.65 liter per day). Weight gain for lamb before feed with concentrate was 170 gram/day, and after they start to feed with concentrate weight gain reached 350 gram per day. If farmers feed their lambs with concentrate and they manage well their flock, lambs will reach 20 kg in 60 days of their life. The opposite of it is if they don't feed with concentrate lambs will reach 20 kg in 110 days of their life

During this quarter KCBS has worked with sheep farmers and assisted them on improve pasture management program. The low quality of pastures has a directly effect in milk and meat production. KCBS has selected five demo plots in different locations with different forage crops. During the field days that organized, farmers mentioned that the milk

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production was increased 22.5 % to the ewes after the grazing and 11.3 % for the cattle. Adaptation of proven yield-enhancing pasture production activities will provide numerous benefits such as efficient domestic production of quality meat, increasing milk production. Ultimately, this will result in the Kosovar consumer having access to quality products at a more reasonable cost and increased the overall competitiveness of the domestic livestock sector relative to other regional players.

3.3 Sheep and lamb business planning

KCBS has completed the model business plan. KCBS can offer this business plan to the sheep farmers for to apply for loan at financial institutions and banks. KCBS has also finalized the cost of production and gross margin spreadsheet with a sensitivity analyses. The sensitivity analysis helps the farmers to improve their management skills by showing them the cost savings by making different management decisions.

3.4 Wool sales

KCBS met with the wool company "H. Dawson" from UK in Prishtina. H. Dawson is interested to buy the wool from Kosovo, and KCBS together with this company visited sheep farms in Kaqanik to see the wool quality. H. Dawson said that quality of wool is OK and they show interest to buy the wool. KCBS will work to find the local company to collect the wool and for transportation in the UK

KCBS meet Mr. Marjan Petkovski of the MAGIS Agro Food Company and the Radishevo wool collection/pressing center. MAGIS is interested in buying wool from Kosovo. If the price of 0.25 cents per kg is accepted by Kosovo farmers this company is ready to buy all wool deposits that are here. This price is very low but does not require extra work on classifications and wool packaging. The wool should be placed in the bags (approximately 10 kg each) as separated wool by color black and white with high concern on humidity. The main problem remains the wool transport from the remote farms to the collection center in one area (the small van with fewer expenses will help on this, instead of sending the big truck from farm to farm) than by truck to export in Macedonia.

4.0 ANIMAL FEED SUB-CLUSTER

4.1 Establishment of on-farm cultivation technique

Based on preliminary analyses some of new hybrids have shown excellent results. For this reason KCBS is particularly interested in adding new hybrids of maize to the national seed list focusing on hybrids that demonstrated high yield in KODAA test plots. The results of the maize yields and other performance collected this year will be used to suggest to MAFRD that they accept the new maize hybrid in their National seed list. KCBS continued to work with 73 commercial crop producers that have used the new technology package (new hybrid, pesticide, fertilizer) prepared by KCBS with included recommendations as how to use herbicides, fertilizers, and application rates. In addition, during field visits KCBS noticed that approximately 35 % of fields showed signs of nitrogen deficiency, because they were not top-dressed with urea at the time of visit. KCBS were able to recommend the immediate application of urea; otherwise yields could have been significantly reduced.

4.2 Introducing new feed crops

KCBS continued working with dairy farms that for their needs have planted different crops (maize, soy beans, red clover, and alfalfa); for that they are using the improved best practices. During field visits farmers were informed about the cost benefits of using new technology that was promoted by KCBS and would show better performance and was more cost effective. Other advantages of using the new higher yielding hybrid seeds, such as selection of the proper CPPs for cost effective and proper weed control, were also introduced to farmers. Commercial farmers have started to use new crops like Red clover and Vetch in their fields. KCBS has worked and assisted large seed importers to import the correct varieties for fall planting season. KCBS subcontractor KODAA held two field days (Viti and Klinë) presenting preliminary results of corn, soybeans, red clover, vetch, canola and alfalfa. Two leaflets were delivered about the test plots along with specific information with regard to varieties/hybrids, fertilizer rates applied and herbicides used.

4.3 Soil testing

During this quarter, KCBS and Peja Institute continued to make recommendations for fertilizer application. KODAA also has expressed interest in having access to these recommendations so as to be able to distribute them to farmers and other interested individuals/companies. The four main input dealers that import fertilizer (Xeni, Semenarna, Agrounioni, UnioniVL) have increased the quantity of fertilizer with new formulation. In 2006 approximately 6100 ton of urea were imported (an increase of 22% over 2005 import data), DAP and Map were increased for 8%. New formulation of N: P: K 8:24:16 so an increase for 38%. These figures indicate that our project is having a positive effect on changing the attitudes of our clients. KCBS worked with farmer associations and commercial farmers on the importance of the soil analyses on yield. The farmers are showing the increased interest in having their fields analyzed. During last months several farmers collected and sent 120 soil samples to the Peja institute for analysis.

4.4 Pasture management

KCBS conducted a trial with HAK (Horticulture Association of Kosovo) to examine the effect of: 1) fertilization, 2) grass planting with fertilization and, 3) grass and legumes planting with fertilization. The data showed that yield could be increased by 200% only with fertilization and up to 300% with additional planting and fertilization. KCBS and HAK held two seminars on Improving Pasture Management explaining the need for sufficient available forage for animals that, when used, will produce more milk or gain more weight. The information was well received. KCBS is preparing a flyer from this information on pasture management recommendations to be printed by KCBS and distributed by various advisory services.

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4.5 Forage production

During this quarter KCBS subcontractor SB “Dukagjini” collected and analyzed 42 samples in three different growth stages (Before flowering, 10 % of flowering and 50 % flowering) to show to the farmers which is the best time for harvesting while maintaining high nutrient value. The results of tested samples indicated that Alfalfa should be cut in the early bud stage or at least in bud creation. At such a stage alfalfa has the highest quantity of minerals, proteins and energy. The results were presented during training program. More than 22 participants attended including farmer, crop producers, students, MAFRD representatives and local NGOs.

KCBS and Dr. Dan Undersander, STTA forage and silage specialist, continued to work for the second year with farmers in the field creating a training program on making high quality silage from locally grown legumes and corn. Last year KCBS did a survey in which it was found that 70% of the farmers have no knowledge concerning maize silage preparation and over 80% of farmers have no knowledge regarding grass and alfalfa silage preparation. In this year based on the survey that KCBS did with 75 commercial farmers this number was decreased by 17 %. Four training sessions were organized in different places in Kosovo about alfalfa and corn silage preparation. Training was mainly focused on the best time to harvest legume or corn so that the plant is at its highest nutritional content. The earlier cutting for higher forage quality has resulted in more cutting per year. The historic average is two to three harvests of grass or alfalfa per year. Several farmers reported taking either four or five cuttings this year as KCBS had recommended. Harvesting more frequently results in higher forage quality and increased milk production.

KCBS, through the association KAMP, subsidized rotobaler production of 6,554 plastic wrapped bales for KAMP members. In general all farmers are satisfied with the quality and will continue to make wrapped bale silage. Some were aware that their bales had not been wrapped with enough layers of plastic to keep oxygen out and some spoilage had occurred.

4.6 Business records

This activity is completed. KCBS approved an application through the MTI Voucher Scheme program for KODAA to develop a model business plan for crop production and input suppliers

4.7 Work of Associations in Cluster

KCBS will continue to work with primary KODAA members that are responsible for importing seeds, fertilizers, and CPPs in order to ensure the needed inputs will be available on time for our participating farmers during the fall planting season .

5.0 POULTRY SUB-CLUSTER

5.1 Breeder stock facilities – layers / broilers

KCBS will be financially supporting the establishing of an experimental breeder farm. For that purpose KCBS this quarter finalized the RFA and the grant was approved to SHPUK complete with criteria. SHPUK together with KCBS will select one of two (possibly three) potential candidates based on the infrastructure and on the experience that their companies have. As reported in previous quarterly reports all financial and statistical calculations are completed which back the creation of the breeder operation. SHPUK has gathered offers from the world's largest breeder producers and together with the winner will select the breed. Dr. Remzi Bakalli presented to KCBS and SHPUK needed information regarding the breed and the number of parents; the breeder farm will have up to 4,000 parents (female chickens) of white breed and will be able to produce approximately 400,000 day old chicks which represents 100% of Kosovo needs for the white breed. The Kosovo industry also needs 400,000 brown breed day old chicks.

Recently KVFA has lifted the ban on importing day old chicks from Italy and by the end of September more than 500,000 day old chicks were imported. This has in fact strengthened the poultry industry position that they should not be dependent anymore on imported day old chicks. Recently KCBS and SHPUK met the representatives of Hendrix Genetics, the world's second largest poultry breeder producer. Hendrix expressed interest in entering the Kosovo market. The Kosovo poultry industry already is a large buyer of Hendrix breeds through the Morini Group from Italy, which Hendrix Genetics supplies with breeders. Hendrix is interested in directly supplying Kosovo with breeders and for that purpose has invited the SHPUK Executive Director and KCBS representatives to visit their production facilities in Holland. Hendrix Genetics has also offered to provide technical support after the establishment of the breeder operation.

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

This activity is completed. The egg quality regulation prepared by MAFRD is in place and KVFA and MAFRD have started with its implementation. In total 100% of domestically (commercially) produced and imported eggs are within the MAFRD regime for testing and grading. In addition to that, SHPUK has started to implement a "Seal of Quality" goal through Koni-Soni that is in SHPUK Strategic Action Plan. With the introduction of the KS logo on their eggs, Koni-Soni is meeting the rapid increase in demand for "branded" eggs. Koni-Soni, backed by MAFRD Administrative Regulation for egg quality, is trying to become a primary egg collection point. Koni-Soni has already started negotiations with small egg producers to supply them with pullets and feed, and to buy their entire egg production on a daily basis. At this point they have agreed with some 25 local producers (35% of SHPUK members) on the terms under which Koni-Soni will collect their eggs.

5.3 Demand for fresh Kosovo eggs and meat

This year's development with Avian Influenza (Bird Flu) had an almost catastrophic impact on the sale of poultry meat - sales dropped by 60 to 80% in some markets. In Kosovo Poultry meat consumption fell by around 40%. By the end of March egg consumption fell by around 50% to around 400,000 eggs daily; at that time Kosovo had 800,000 layers in production producing approximately 650,000 eggs daily. During that period KCBS activities were focused in decreasing the panic that had spread among the consumers. The promotion material developed by USAPEEC – SHPUK – KCBS was distributed Kosovo wide. It included material such as point of sale posters, information pamphlets to consumers, and stickers identifying U.S. poultry and SHPUK eggs. Also, KCBS together with Irex (USAID funded media project) organized media briefings. SHPUK also used the recorded material of the briefing and made an advertisement that could be seen on RTK TV. In addition, KCBS assisted Koni-Soni in creating their brand name (KS) and assisted them with their promotional campaign. All this resulted in an immediate increase of egg consumption and in the decrease of inventory which had built up during the panic.

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Consumption is steadily increasing but still remains lower than the pre – Avian flu level. At present there are 550,000 layers in Kosovo producing 500,000 eggs daily. Including another 100,000 eggs consumed from inventory equals 600,000 eggs consumed daily. Even so current consumption is 10 to 15% lower than the pre-influenza level of 660,000 to 680,000 eggs daily. After the inventory stocks were cleared (September) Kosovo experienced an increase in price where a box of eggs (360 eggs) reached 28 Euro. The higher prices are bringing in some illegal imports from Serbia and Macedonia.

5.4 Feed mills

KCBS through the year has continued working with the industry to enable it to produce the most economical cost feed rations with the best nutrition values matching daily requirements of layers. All this work has had a dramatic effect on the cost of production making the local egg production far more competitive. The latest calculations show that from January the cost of production has dropped from 18 Euro/box to 15 Euro/box, a decrease of 20%. At the moment Fauna is maintaining low prices and high quality for two important ingredients, soybean meal and sunflower meal, and has started bringing first quantities of maize from Vojvodina. All computer feed formulation programs were given to SHPUK who have continued installing them in all major poultry producing operations where employees were given individual training on how to use programs. Also for that purpose KCBS, through AKA, hired an Agricultural Faculty Professor and organized three training sessions in three different regions. Two trainings were held in Pristina and Gjilan and one training was held in Gjakova regarding the usage of the computer feed formulation program. KCBS has also assisted SHPUK in creating a price list of feed ingredients for the needs of its members.

Dr. Remzi Bakalli (KCBS STTA) worked with SHPUK, MAFRD and the poultry industry and assisted them in feed production. As a part of that effort KCBS and Dr. Bakalli with AKA, SHPUK, the Pristina Agricultural Faculty and MAFRD have organized presentations on “Increasing the storage capacities of feed ingredients and grains in feed production factories and wheat flour mills”. The training also included presentations on feed ingredients, feed formulation, feed pelleting , breeder farm operation and molting.

The project for random feed testing of 250 samples of feed ingredients and finished feed was completed by KDC. For this purpose KDC used the Agricultural faculty for the analyses. In early July KDC presented the results by organizing a training seminar. The final report and all results will be given to producers and SHPUK for their data base.

KCBS will be financially supporting the establishing of the pellet line pilot project. To that end KCBS has finalized the RFA, the grant is approved to SHPUK together with the set of criteria. SHPUK together with KCBS will select the potential candidate based on the infrastructure and experience that the company has.

5.5 Poultry producers business plans

Activity completed.

5.6 Volume purchasing of feed ingredients

During this quarter a small problem arose when the Animal Feed Mill (AFM) in Fushe Kosova that Fauna is renting and using for his business was placed for privatization by KTA for the 17th wave. All of Fauna's and many KCBS resources were applied to this privatization process and fortunately it resulted in Fauna successfully winning the bid for the property. It would have been a serious setback to the Kosovo's emerging animal feed industry if Fauna had been forced to relocate.

Fauna after buying the first train load of soybean meal from US STR Company managed to renegotiate an agreement with Cargill Greece. Now soybean meal is arriving from Thessalonica in 250 ton monthly deliveries. In addition Fauna re-signed a contract with Cargill Romania for sunflower meal for 100 tons monthly deliveries. Also KCBS and Fauna have found a supplier for maize in Vojvodina and first quantities of 75 tons monthly started

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to arrive. KCBS and Fauna are continuing to evaluate different offers from different European companies for maize.

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

KCBS achievements were acknowledged by UNDP/FAO who visited Kosovo with their mission for assessing the capacities of the Balkan countries to deal with Avian Influenza. At the end of their mission they organized a debriefing attended by representatives of all relevant institutions in Kosovo, including the PSRG office, EU Pillar 2, FAO, UNDP, KVFA, Customs, TMK, EU/EAR, UNMIK and USAIDKCBS. The debriefing was held by the three member team sent by FAO Rome (Mr. Chris Mandra – Operation Officer from Emergency Operations Service, Ms. Ana Riviere Cinnamon – Socio-economics Expert from Livestock Policy Branch and Mr. Yanko Ivanov – Epidemiology Expert). Their findings were that Kosovo has improved a lot, but the local government still needs a lot of assistance in the near future especially in establishing a new veterinary laboratory since the existing one does not meet the minimum bio-security standards for safe operation.

One important finding by FAO was that KCBS was the ONLY donor or donor funded project that assisted directly KVFA and Poultry Industry in increasing their capacities in disease prevention. They mentioned the donation of laboratory equipment and test kits with special recognition to KCBS STTA Dr. Abdulah Gagic's involvement, and to the three week World Learning training provided in the USA.

The vaccines purchased by KVFA for different diseases (Newcastle, salmonella, bursal disease) have started to be distributed to pullet growers as the vaccination is done during pullet growth. During this quarter KVFA lifted the ban on importing day old chicks from Italy and until the end of September approximately 350,000 day old chicks were imported.

5.8 Work of Associations in Cluster

Activities in process or completed by SHPUK-KCBS:

- From 90-100 farmers in total 50 have already paid their membership fee
- Organized Avian Influenza conference with USAPEEC
- Organized Avian Influenza media briefing
- Prepared and distributed Avian Influenza brochure
- Prepared and distributed SHPUK-USAPEEC promotion campaign. SHPUK was paid €1,000 fee by USAPEEC for this activity
- Prepared and distributed Information bulletin
- www.shpuk.net web page
- SHPUK was hired as a consultant for a €450 fee by ICCED. Its study on broiler production potential was completed and delivered to ICCED
- SHPUK is becoming important partner of KVFA/MAFRD

SHPUK won two grants from KCBS for the establishment of breeder operation and of pelleting equipment, both to be implemented by the beneficiaries selected by SHPUK and KCBS.

Further information on SHPUK activities is given under 8.2.3 below.

6.0 FRUITS AND VEGETABLES CLUSTER

[NOTE: In spring 2006 the primary focus of the Fruit & Vegetable (F&V) Cluster became post-harvest handling and marketing. As a result, many of the Cluster's activities this Quarter do not fit well into the Activity descriptions adopted in the project Year Two Work Plan. While the reporting format from previous F&V Year Two Quarterly Reports has been retained, some of the following discussions are only indirectly related to the originally envisioned Activities.]

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

In March 2006 the Cluster organized contracts between four groups of vegetable producers, totaling 88 farmers, and four food processors. Two of the processors are domestic and two are located in Albania. The projected volume was 11,000 tons with an estimated value of 1.5 million Euros. Success in this work was deemed crucial for expansion of F&V production in Kosovo because the introduction of written contracts provided a new, assured marketing mechanism. Historically, however, farmers lack confidence that processors will purchase products at pre-determined prices or pay on a timely basis, and processors lack confidence that farmers will deliver pre-determined volumes of quality products. Such contracts imply a level of trust without precedent in Kosovo.

Two highly-experienced full-time Field Officers, hired for the summer and fall vegetable production and harvest season, joined the Cluster Staff in an effort to ensure that farmers were better connected with the food processors, in the hope that this would improve the likelihood that both contractual parties fulfilled their obligations.

Nine farmers are growing potatoes for Kapica, a processor in Albania, and 15 farmers have potato contracts with Pestova. No problems are anticipated for contract fulfillment by any of these. The early varieties, accounting for about a quarter of the crop, have already been harvested and delivered. Pestova has exported 1,550 tons of these potatoes with a value of 232,500 Euros.

Unfortunately, one of the processors in Albania, Alcred, has yet to pay about 8,500 Euros for 45% of the vegetables obtained in summer 2005 from Anadrini Association. A March 2006 contract for delivery of peppers from Perdrini association, located near Anadrini, to Alcred was thus worthless because the farmers, logically, were unwilling to deliver peppers to an unreliable processor. Next we learned that Anadrini Association, which had a contract with Progress, a Kosovo processor, would be unable and/or unwilling to perform its contractual obligations to have its farmer-members deliver products.

In an effort to overcome or replace these previously-expected deliveries, the Cluster met with and began working with Masar Braha. He is an owner of Braha Company in Prizren, an importer/exporter and wholesale distributor of F&V with cold storage chambers and refrigerated trucks with many years of experience. He became interested in acting as the middleman between growers and processors. A Cluster staff member traveled with Mr. Braha to Albania to visit four food processors and one fresh F&V exporter. Exports of potatoes began immediately and several of the Albanian companies expressed sincere interest in sourcing sweet peppers from Kosovo and will be coming to visit producers.

At the same time, through our colleagues in the USAID/LAMP project in Bosnia, Fahrudin Delbashiq, was contacted. He is the owner of Vocar Company, a F&V wholesale trader. Vocar contracts for the production of 500 ha of land with 1800 farmers in Bosnia, providing them with inputs by taking a 600,000 Euro loan from a commercial bank under a credit mechanism. Vocar sells the crops to processing companies in Bosnia and Croatia. Mr. Delbashiq came the next week to Kosovo to meet Mr. Braha.

The meeting was successful and exports began immediately. If things go well, Vocar is expected to purchase 500 tons of red peppers and 200 tons of tomatoes.

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Soon after this Mr. Braha formed a new company, Visari, for all of his F&V export business. He agreed that Visari could be an official KCBS Database client. To date Visari has exported, mainly to processors in Albania, 977 tons of various vegetables with a value of 223,400 Euros.

Finally, Progress has just announced it wants to purchase 400 – 500 tons of peppers this year. Although these purchases will not be under contracts, many of the same farmers who had contracts will be selling to them.

KCBS presented a seminar titled “Risk Management Analysis for Crop Production Lending” to Raiffeisen Bank loan officers. The topic was well received and KCBS made tentative plans to repeat the seminar for other banks and micro-credit associations and for members of the Association of Kosovo Agribusinesses at the next Finance Fair.

The Cluster continued an internal project started last quarter, compiling a list of Contacts in the F&V sub-sector of the agricultural economy. The task has had the salutary benefit of encouraging the Cluster staff to meet with and reach a wider audience of players, beyond associations, food processors and civil servants, to include input suppliers, packaging manufacturers, refrigeration equipment dealers, enterprises willing to rent cold or frozen storage space, product aggregators, major importers, wholesalers and distributors, hypermarket managers, etc. Through a concerted effort of many field visits, the list grew by nearly 50% this quarter, reaching 145 names.

6.2 Develop new products with export potential

In mid-July 2006 the Cluster hosted a large meeting of the major participants and interested parties in the 2006 blueberry collection season. The purpose was to introduce sellers and buyers to each other. Most of the sellers were operators of collection centers located in high-elevation rural villages surrounding Kosovo. The buyers are wholesale exporters, not processors. The meeting was notable for the presence of many representatives from minority areas.

Compared with the 2005 blueberry collection season, which was almost non-existent, the 2006 season to date has been a dramatic improvement, with exports of 600 tons worth about a million and a half Euros, and creating an estimated 120 – 150 full-time equivalent jobs. We believe that about 900 – 1,200 people were involved in collecting blueberries, although some were more active than others. They were mainly young people and women, and both groups suffer from very high levels of unemployment. Acting solely as collection centers, about five associations or cooperatives were active, many of which are multi-ethnic. Blueberries were gathered by people living in 72 villages, mostly remotely located in the mountains. About 11 exporters participated, but some of these were also collection centers.

During the later part of the season, the Cluster team hosted Gradin Giampolo Company from Italy, which is interested in buying blueberries and mushrooms. We took them to visit Agroprodukt Commerce in Podujeve which, unfortunately had only recently committed its berries for sale to a Slovenian company, and to visit Eurofruit Company in Hajvali – Mramor. During that meeting a deal was struck to export dried blueberries in the future.

EuroFruit has 15 years experience in the collection of wild fruits and mushrooms, and in the 2006 Kosovo blueberry season they have arranged the collection and export of one-third of the total. They recently became an official KCBS Client.

In many ways the blueberry season saw the resurrection of an industry that was vigorous in Kosovo before 1989. Alliances between collection centers and sellers were in flux throughout the season, forcing prices paid to collectors to rise and collected volumes to increase, and many new linkages were formed after such a long dormant period. We believe that part of the catalyst for the success was a donation by KCBS of 200 hand-held harvesting rakes, which were distributed to 11 organizations throughout Kosovo.

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The most serious problems facing blueberry collection centers are the lack of equipment to clean and size the berries, and lack of seasonal or short-term access to cold or frozen storage chambers by renting space at reasonable rates. A study tour to Serbia will be held soon, escorting three blueberry handlers to visit three companies manufacturing blueberry cleaning equipment.

The most salient unexpected consequence of the blueberry season was the reemergence of large numbers of rural people with a renewed interest in collecting other products from the wild. The mushroom processors in Kosovo are receiving increased volumes, and juniper berry collection, which follows blueberries, is expected to be very big this year.

6.3 Improve post-harvest handling practices

The F&V Cluster participated in a ceremony organized by the Horticulture Association of Kosovo to unveil a new book, "Practical Orcharding", authored by three members of Pristina University Agricultural Faculty. There are many textbooks available for university teaching of fruit production, but until now there has not been a practical field manual available for farmers. KCBS financed the printing and will support subsequent training conducted by Faculty members.

Considerable effort was expended providing assistance to associations and enterprises locating information on equipment needed to fulfill objectives in SAF grants, all of which are related to post-harvest handling practices. Grants in various stages of completion are to: Agrocompani Association in Qyshke - Peje, which is seeking a semi-automated cleaning, sorting, grading and packing line for potatoes; UVB Association, in Blagaje - Peje, which wishes to renovate old storage rooms into refrigerated cold storage chambers for apples; Pema Association in Kovrage – Istog for a semi-automated line to grade, sort and pack apples; and, Dragash Association, for cleaning and drying blueberries and juniper berries.

To assist in the equipment search the Cluster escorted two association directors to Belgrade to attend a demonstration of grading/sorting/packing equipment for fruits and vegetables by a manufacturer from the Netherlands. They also visited lines from the same manufacturer in operation at private enterprises.

The Cluster hosted Robert (Bob) Maloney, an STTA in post-harvest handling and storage. He was performing a two week information gathering mission, which will be followed by a three week assignment at the end of this Quarter and the beginning of the next devoted entirely to training at 15 associations and enterprises.

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

The Cluster began working with As-Promet in Leposavic on a SAF grant. The grant concept was approved and work is underway on the full application. The company has equipment for freezing, slicing and drying mushrooms, raspberries and blueberries, but lacks adequate space to take advantage of the full volume of mushrooms and other products that could be gathered from the wild. The grant is expected to result in 25 full-time equivalent jobs.

At the request of USAID and in follow-up to a previous, brief study, an STTA was engaged to study the Kosovo wine industry. He met with representatives of municipalities, MAFRD, small private wineries and large former SOEs. The conclusion of his research, accepted by USAID, was that the magnitude of the difficulties facing the industry mitigate against KCBS assistance to vineyards and wineries, but that the owners/managers should be encouraged to participate in on-going business management and marketing training offered by the project.

6.5 Unite regional fruit associations

The cluster works closely with three of the existing fruit associations, Fruti in Kravarice – Gjilan, Pema in Kovrage - Istog and UVB in Blagaje – Peja. As was reported each of the previous two Quarterly Reports, efforts to unite the associations were halted because these groups are weak and basically village groupings of like-minded farmers.

However, these associations are keenly aware of each others' existence and we continue to encourage them to coordinate their work and experiences. The Cluster plans to boost this cooperation, in coordination with the EAR/Marketing Support Project, through a donation in the next Quarter of 1,000 to 2,000 cartons to each association with new "Kosovo Apples" logo on them. This will be an experiment to test the hypothesis that properly graded and packed large apples can command a sufficiently high price to warrant the costs of grading, sorting and packing them into proper packages. All three associations believe this is the case and the Cluster wishes to reinforce that concept with empirical evidence. This effort will also serve to launch a Kosovo brand.

This Quarter completed a SAF grant to Fruti Association in Kravarice-Gjilan. The last piece of equipment in the grant, an in-row orchard cultivating machine, was demonstrated at a field day near the end of the Quarter attended by 42 interested and enthusiastic participants from most parts of Kosovo. The field day began with a short demonstration of the pneumatic pruning machine, the first equipment acquired through the grant. Using its own funds, the association also purchased a low-volume water air blast sprayer, which was also demonstrated. Adem Demaj and Sylë Sylanaj, professors from the University of Pristina Agricultural Faculty, explained the positive effects of these machines in fruit production, especially in reducing total production costs.

As mentioned earlier in this report, SAF grants are underway for the other two apple associations, with UVB planning to receive five refrigerated cold storage chambers and Pema to receive a semi-automatic grading, sorting and packing line.

7.0 CONSTRUCTION MATERIALS CLUSTER

7.1 Wood Processing

In this quarter the EWF project moved into the production start-up phase for Korenica and saw the final factory construction phases for Ukaj. The KCBS team has added another Local LTTA and continues to provide focused technical industry expertise, management and operations guidance to Korenica and Ukaj during this phase of the development process.

The most significant event of this period was the arrival in Kosovo of Swedeco CEO Gerald Perlot. Mr. Perlot discussed current operations, proposed product mix and schedules for the next several months with each manufacturer, and an open house event was sponsored at the Korenica factory in Xerxe on August 23. In attendance with KCBS, were USAID, several Ministry and municipality officials, Korenica, Ukaj and various members of the local media. Heather Goldman [Acting Mission Director], Mustafe Korenica and Jerry Perlot were interviewed by the media and each indicated the importance of the alliance between this US distributor and the Kosovo wood processors. Talking to Korenica and Ukaj, Mr. Perlot said . . . “It is very exciting to know you will be leading the business expansion for Forest Products (and Export) for the Kosovo Region.”

7.1.1 Korenica

- Retrofit of the former SOE in Xerxe continues and includes the installation of additional production machinery, construction of a conditioning room for stabilizing moisture content in EWF elements, cleanup and removal of debris outside the perimeter of the factory buildings, and preparation of an area that will eventually house the Customs Warehouse
- Initial stages of manufacturing commenced, with the production of Beech flooring that was then installed in the production offices, and will also be produced for installation in all other offices at the factory
- With start up of production comes the ongoing process of trouble shooting and adjusting the production processes and procedures - KCBS is bringing as STTA a technical production expert from the EWF industry in Thailand. Beginning in October, he will teach key personnel and supervision from both Korenica and Ukaj proper tooling, setup and maintenance techniques, fine tune the production process and provide input to the operations and maintenance manuals and machine operator guides
- Swedeco has contracted for a considerable percentage of The Home Depot's annual flooring requirements and has allocated approximately \$750,000 for Kosovo production through the end of 2006
- Swedeco continues to be pressured by their client base to show Chain of Custody (COC) sourced materials – the KCBS Forest Certification project beginning in October 2006 will eventually benefit both Korenica and Ukaj when they are able to source COC lumber from local mills
- 28 employees were hired for production start up, and revised estimates indicate a total of 55-60 employees will be required by year end to fulfill production requirements
- Supervisor training for both Korenica and Ukaj key personnel has commenced with sessions presented by Burim Meqa and Gazmend Alidemaj
- Korenica continues to work with KEK to become an A+ industrial customer insuring uninterrupted power to the factory – a measure that will save man hours and lost production due to extended power outages during production shifts

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7.1.2 Ukaj

- Phase 1 steel manufacturing building is complete with the exception of some insulated panels on the end wall, concrete floors are installed, and preliminary construction on the office building has begun.
- New and used machinery purchased from Kuper in Germany and Austria is in route to Kosovo and was installed ready for commissioning by late September
- Construction delays have pushed the estimated production start up into early October
- Gazmend Alidemaj has been hired as the local KCBS support for Ukaj's facility – he and six of Ukaj's key personnel are receiving on-the-job training at the Korenica facility until Ukaj is ready for production at the Pristina factory – a testament to the level of cooperation between these two competing manufacturers
- Ukaj is recruiting 28 new employees for the October startup in Pristina – at current production levels he already has 76 employees between the Decan and Peja factories
- Phase 2 buildings will begin construction in 2006 - 6 months ahead of schedule
- Expanding production in the Decan Door Factory and the Peja Chair factory required purchase of additional machinery – which was secured from the former SOE in Ferizaj at a cost of 30,000 Euros.

7.1.3 Other Wood Processors

KCBS began providing limited technical sawmill, grading and dry kiln assistance to Druri Company a small sawmill in Ciflak, owned by the Representative of the Private Forest Owners' Association. Facility has 30m³ dry kiln capacity and is willing to invest in additional equipment to increase current capacity. Any additional assistance is predicated on their pursuing production of quality kiln dried Beech and steamed Beech for the EWF program

KCBS entered into discussions about providing elements for the EWF program with Parketaria in Ferizaj and with Hrast in Liposovic. Each provided potential product samples for review by Korenica, Ukaj and Swedeco.

7.1.4 Forest Certification Task Force

KCBS has engaged the services of Liviu Amariei, the former Director of FSC Europe as a STTA Forest Certification Specialist who will work closely with the current Task Force to assess three pilot forests, conduct a study tour, provide training workshops, and develop a concept road map toward FSC Certification for Kosovo forests. The STTA will conduct a Study Tour in Croatia in October, accompanied by 10-12 selected Task Force members for a hands-on view of the certification process in progress and as a precursor to developing the concept road map.

KCBS hired Hysen Shabanaj, a local expert in forest management, and a former head of the Kosovo Forest Agency, who will act as liaison with the Certification Expert, the Task Force and local agencies, and will coordinate implementation of the road map for FSC certification once designed.

KCBS has received a letter of support from Zhivko Bogdanov, the Bulgarian Forest Officer, and member of FSC National Initiatives Committee, who is interested in participating in workshops and training sessions as an expert in Balkans forest management. We will encourage his participation under USAID's cross-border cooperation initiative.

7.2 Improved Quality Control

In this quarter KCBS continued with its support to the private sector and Kosovo Standardization Agency (KSA) for improving the quality control and testing for quarried aggregates, concrete, asphalt and steel. KCBS recommended to MTI Licensing committee

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to award licenses to private laboratories, which would have a direct impact on improving quality in construction industry. The MTI Licensing Committee is not composed by professionals and their lack of knowledge on lab management is resulting in long time to process a license; up to now only three have been licensed. RCAF held a training course for road construction industry “EU standards on road construction” and there were only 15 participants. This small number reflects a lack of interest in quality by investors, and particularly Government (Ministries of Transportation and Municipalities), which are not specifying quality in tender documentations. The private sector is willing to start with EU standards but the enforcement should be from investor. KCBS met several times with representatives of Ministry of Transportation and recommended them to make changes on technical specifications, but they did not express any willingness to do so. Pressure must be maintained on MTPT.

In order to support the improvement on asphalt quality production KCBS hired STTA with the goal to improve asphalt production and aggregates at asphalt plants and quarries. KCBS visited 13 Asphalt plants, 5 quarries, met with RCAF, KSA, MTI Construction Department, asphalt construction companies, MTPT, ICMM and potential investors for modifying Hot Bitumen. Detailed visit reports and final report have been submitted to USAID. The main recommendations of the report were:

- a) each asphalt plant and quarry should have a weighbridge; currently only three asphalt plants and two quarries have them,
- b) each quarry and asphalt plant should have laboratories for quality control,
- c) start immediately with certification of aggregate producers and laboratories,
- d) create an independent laboratory to be staffed by qualified and certified personnel,
- e) organize training and certification of staff in order to have better QC/QA of bituminous, aggregates and asphalt as a final products.

The private sector has requested changes on licensing procedures which are resulting in unfair competition as licensing committee (LC) is granting licenses to unqualified companies that have connection with LC members. The private sector recommended changes but the LC has not yet approved them. KCBS had an opportunity to substitute for the Associations’ representative at a licensing Committee meeting in July. KCBS noted that members of the licensing committee are not professionally organized, and aggressively replied to any suggestions, clarifications or questions made by the observer. As an example, the licensing committee was reviewing requests to license private laboratories; KCBS offered them for review the laboratories’ assessment report conducted by a project STTA. Four of the committee rejected the offer, saying that Kosovo is not USA or Europe and MTI licensing committee accepts only assessment made by local specialists.

7.2.1 Improved quality control for cement, aggregates and reinforcing steel

As the public review is finished, the Kosovo Standardization Agency held a Technical Committee Meeting in which was agreed to adopt the EU standards for Aggregates, Cement and steel that were donated by USAID/KCBS.

The KSA National Board Committee is composed by public and private sector has designated technical committees for adoption of the standards which is a transparent methodology for adoption of the EU standards. It is expected that the standards implementation in phases to start from the next construction season by phases.

7.2.2 Improve quality control for concrete and concrete elements

The KSA Technical Committee for concrete standards launched them for public review and adoption is expected at the next KSA technical meeting.

7.3 Improved Productive Capacity

7.3.1 New Co. Silcapor L.L.C.

In this quarter, Silcapor increased production 50% (49,000 m³ per month) compared with same quarter last years (32,000 m³). The company focused on factory investments, sales and refurbishment of administrative building, investing over 200,000 Euros. In this quarter, the company sold over 2,2 MM Euros of its products, of which 130,000 Euros were from exports to Macedonia and Albania. The demands in local market have increased. KCBS arranged several meetings with manufacturers of production line and packaging machinery and Silcapor will visit them in first week of October. The sales to the Macedonian company, which KCBS facilitated, are going as scheduled; and in this quarter sales to this company were 100,000 Euros.

As the production and sales have been increased the number of workers has been increased as well; currently Silcapor employs 250 full time workers. Silcapor and BAS/TAM team – EAR project are negotiating for future cooperation. KCBS will monitor this activity.

7.3.2 Bilateral Transportation Agreement

Despite several meetings and promises from local government that they will discuss with UNMIK and Private Sector, a major problem still remains bilateral transportation agreement between Greek Government (and other neighborhood countries) and UNMIK-Kosovo Government.

7.3.3 Bejta Commerce

In this quarter, Bejta Commerce started production at the new quarry which resulted with increase of production to 68,000 M³ (two quarries) compared with 16,000 M³ in past quarter from only one quarry. The company still faced problems with ICMM for blasting license, and again a solution was found in cooperation with KCBS. The other obstacle in quarry industry still remains for Bejta to obtain the exploration license from Kosovo Forestry Agency, which despite KCBS's interpretation of the Law, does not issue license to quarry operators for more than 2,5 ha.

The company sales in this quarter were increased approximately 100% or 720,000 Euros compared with the past quarter 360,000 Euros. The employment increased by 35 new employees and the company by the end of September, had 125 full time workers divided in its four operations old quarry, plastering, glue production, and new quarry.

7.3.4 Expedite “New Co. Korrotica L.L.C.” privatization with KTA

The KCBS assisted the company to structure the JV agreement which is signed in this quarter and company is increasing its production every month. The production in this quarter was 50% higher or 42,000 m³ compared with 28,000 m³ in past quarter whereas the sales were increased for 33% or 216,000 Euros compared with 162,000 Euros.

7.3.5 Expedite “New Co. FAN Zahir Pajaziti L.L.C.” privatization with KTA

In this quarter the company sold 95% of production or over 3,100 tons, or over 1,5 MM Euros of which 11,000 Euros were exported to Albania. Sales price was decreased as the raw material price and operations cost were lower, and the company wanted to be more competitive with imported products. KCBS assisted them in preparing a financial analysis which was presented to local institutions such as customs, MTI, MEF, Prime Minister office, Pillar IV and all the industrial chain. The main topics covered were benefits from reducing the custom fee for imported raw material in order to become more competitive with imported products, employment, tax collection, and economic development as a whole. The refurbishment of the administrative building, finance management program and security will be completed in the next quarter. In this quarter the number of employees remained the same, 110 full times working in one shift. If the Kosovo Economic Council

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approves the custom reduction for raw material the production and employment could be increase by 100 %.

7.3.6 Expedite with “New Co. Ramiz Sadiku” privatization with KTA

KCBS assisted the company to structure the JV agreement and after first review the company requested modifications modification and currently it is under further review. The additional terms of references will be finalized and agreement should be signed by the end of this year. In this quarter there were operating two production lines a) clay block (19x19x24 cm) and hand made clay bricks (6x12x24 cm). The other two production lines have not started yet but have been leased for other purposes until the management obtains additional financing. The current number of employees is 174 full times working in three shifts from which 110 in the block factory and other 64 in the hand made brick factory.

In this quarter the company sold 100% of production or over 0,9 MM Euros and the production and sales increased 15% compared with past quarter. The company maintained production of 27,000 - 30,000 pcs blocks per day.

7.3.10 Assistance to the other private companies

- KCBS facilitated the agreement between KEK and representatives of 19 companies from Gjilan industrial. Implementation of the project is expected to be completed beginning of October. As a result, companies will have their own power supply line and have pledged to become a category A+ KEK customer.
- KCBS continued discussion with two potential investors that have privatized land in center of Pristina for construction of residential and commercial buildings which are interested to cooperate with foreign investors. Prizren Municipality is interested to hear about foreign investors as they provided their plans for future developments and opportunities of private sector investments. Crimson Capital will arrange a meeting between potential investors from Israel; KCBS will follow up with other potential investors in Year Three.
- There is no progress by MEMM or ICMM regarding removal of obstacles for quarry industry. KCBS is cooperating with RCAF and quarry producers in order to prepare a draft law or regulation that will help improvement of the quarry industry. The main issues that require to be improved are: royalties, licensing procedures, illegal quarry operators, power supply, blasting permits and better inspection procedures.
- KCBS completed the revised action plan of the KACP (Kosovo Association of Concrete Producers) and currently is under review by interim association board (IAB). The first annual association meeting is postponed by IAB for the beginning of October due to workflow of the construction season.
- KCBS met with local road contractors and encouraged them to create JVs with companies in north and if the bid awarded, such cooperation will be implemented.
- The HMA (Hot Mix Asphalt) handbook with basic elements for Hot Mix Designs and asphalt plants operation was developed by KCBS and reviewed by STTA. In the next quarter it will be handed over to asphalt producers.
- KCBS followed up the issues with Deputy Prime Minister and AAK caucus leader regarding certain government negligence but without any results. The main issues were:
 - Bilateral Transportation Agreement with Greece and other regional countries;
 - Procurement procedures, technical specifications and inspection by;
 - Licensing procedures by MTI for construction sector;
 - Licensing procedures and royalty fees for quarry operators and obstacles by ministries, MESP, MA, ICMM and Municipalities;
 - Recycling projects for construction materials; and

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- The municipal authorities to be more cooperative with potential investors.
- KCBS followed up the problem with bitumen and arranged meeting between seven asphalt producers from Kosovo and SOE ARMO Refinery from Albania, and the Albanian Ministry of Energy that is in charge of ARMO. The problem was resolved after several meetings but the quantity delivered to Kosovo was reduced and an alternative proposed to obtain asphalt from Macedonia was followed.
- KCBS, USAID and Mercy Corps representatives met and had a constructive discussion in order to exchange experience on road construction and improve quality. The main issue discussed was the usage of aggregates for road construction and to use only from licensed quarries by ICMM in which Mercy Corps agreed to put in technical requirements. KCBS will cooperate as the Mercy Corps/IOM project proceeds; it is great opportunity for Mercy Corps to create a model that municipalities could use in the future for small road projects.
- KCBS met with RBKO regarding banking products for construction industry, and provided them with specifics for each sector, such as: production sector (concrete and concrete elements, terracotta, asphalt, aggregates, plastering, thermo-insulate, blocks, etc.), construction and building companies, design, commercial buildings etc. RBKO is developing a banking product favorable to the construction industry. The product should be developed in cooperation with both, companies and associations, which has never happened before. This activity is to be followed through the next year.

8.0 GENERAL BUSINESS SERVICES

With the departure of the former Senior Competitiveness Advisor at the end of May, the emphasis of KCBS work in the business environment changed. Less attention was given to policy and advocacy, and more to consolidating our previous work with developing associations and business service providers.

8.1 Business Constraints

8.1.1 Improving the business environment

Private-Public Dialog – follow through: KCBS is a permanent member of the Industry Roundtable. However, the group has not met this quarter and the next meeting is scheduled for early October. It is hoped the group will begin to address implementation of some of the strategies which emerged from the PPD recommendations. No other follow through on the PPD is planned.

NGO taxation: USAID directed KCBS to leave this matter to another USAID program.

Promoting women in business: During the previous quarter KCBS supported Women for Women International Kosova (WfW) to deliver the project called Market Readiness for Handmade Products. Seven businesswomen associations from Kosovo were trained under this program and were asked to prepare business plans. Trainers selected the business plan of NGO Lady as the most viable one. KCBS from the beginning of this project helped this association to obtain financial support in order to grow the production line pursuant to the business plan. We contacted many donor agencies and promoted to them the winning business plan. This quarter IOM Community Stabilization Program agreed to support NGO Lady and approved a grant in the amount of around 3,000 Euros for purchasing the needed equipment. This quarter, using our contacts with USAID projects in Macedonia and Serbia we have connected a number of women handcraft associations in Kosovo, Macedonia and Serbia with each other

Improving Access to Business Services: Since the launch of the new MTI voucher program in May, KCBS has been actively involved in monitoring the activities under this program. The funds allocated to the second voucher scheme are awarded to 29 beneficiaries in two rounds. Within the first round of vouchers, professional business services are provided to 12 beneficiaries, while 9 contracts out of 12 are already completed in full. Provision of services under the second round of vouchers is still in process, with 17 businesses benefiting from the second wave. KODDA, KAMP and KDPA are the associations qualified to benefit from the second voucher scheme. The program is expected to be completed by the end of October.

Improving Industry Information: KCBS planned for a Statistical Consultant to work with a local LTTA we had hired in developing industry/market tracking systems that would provide sound, credible and timely statistics to associations on their members' industries and markets. The LTTA resigned after only three weeks; he was considered one of only three people with the requisite experience in Kosovo, and the other two were already employed. After consideration of the relative sophistication and development of the associations for whom this service was to be provided, KCBS agreed with USAID that implementation of this activity should be delayed until year three or even four of the program.

Quality Standards Development and protection: KCBS cluster specialists working with their representative associations continue to advance this work.

8.1.2 Improved access to finance

This quarter we continued working on the finance fair project and took some concrete steps in planning and distributing tasks and responsibilities with the local partners. The finance fair date accepted by all parties is April 11, 2007. Together with the local partners KCBS prepared an RFP for management services and invited local BSPs to submit their

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proposals. Two pre-bid conferences were organized in order to help BSPs better plan and cost the event. Three companies CEO, MDA, and OEK submitted proposals. KCBS helped AMIK and KBA review the proposals. The contract will be awarded at the end of September to the winning bidder.

This quarter Michael Gold met with banks and microfinance institution to identify needs for new products, such as purchase order financing and leasing that would improve access to capital. In addition to implementation of new products, banks expressed interest to receive technical support that would improve their products and services and/or educate their management. KCBS reviewed all these potential programs in the light of our work plan for year three.

KCBS organized a workshop for the Raiffeisen loan officers on risk management analysis for crop production landing. Lack of experience of loan officers in agriculture landing and lack of proper borrower's education are the main reasons why the banks' lending agriculture activities in their portfolios remain at low levels. KCBS provided them with one possible solution, i.e. to employ agricultural engineers and educate/train them to be loan officers rather than educate/train loan officers in agriculture.

8.2 Business Associations

During this quarter we continued focusing on:

- Improving association's financial management practices and internal governance
- Supporting their efforts toward self-sustainability, with an emphasis on fee-for-services activities;
- Working with the local business service providers (either as management companies or providers of selected professional services), so that they could serve better the associations' needs for quality services.

KCBS is continuously supporting our industry associations to become independent of donors' support. KCBS funded associations are gradually becoming more confident in their internal capacities. Five out of the six grantee associations (all except for KDPA) have developed fee-for-services portfolios for members and non-members. We are preparing all six associations reduce donor support to 60% of their operating needs at the end of their first year of grant. Even though the threshold is very challenging, five of the six associations most probably will hit the target of '40% self-generated revenues'. Associations, like AWPk, have already exceeded this threshold (e.g. to date AWPk has generated almost 60% non-donor revenues). Our associations are becoming aware that they are the main institutions responsible for managing their sustainability.

8.2.1 Institutional Development

KCBS is committed to help associations improve their financial management practices, internal governance and transparency. With this in mind and in line with our past efforts to improve financial management practices, KCBS engaged MDA to conduct the "Financial Management for Association Leaders Training Program" for all the six KCBS funded associations. The main purpose of this training program was to train board members in basic financial management principles and skills, as well as educate them on the importance of sound financial systems for the sustainability of an organization. KCBS also wanted to explain to boards their legal responsibilities toward tax authorities as the representative bodies of such organizations. During the first phase of our contract with MDA (July 17-August 11), MDA trainers worked individually with the executives of the associations to assess their respective financial management systems. Training of board members took place in the second part of August - beginning of September. The training sessions were tied around the normal schedule of the board meetings of each association. 46 participants went through these training workshops, including board members and association executives. The recording keeping of all the six grantee associations has

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improved substantially. They all have part-time accountants or BSPs responsible for producing acceptable financial statements.

8.2.2 Industrial Associations: RCAF, AWP, KPA and KAP

AWP: Since AWP engaged CBDC to keep their books and compile their financial statements, the financial reporting for AWP has improved substantially; AWP financial statements are now setting the bar for other associations. The financial situation of the organization has improved immensely. So far, AWP has generated revenues in the amount of €38,599 against €26,718 received from grants. (This excludes donors' technical assistance and other in kind contribution). With 59% of the revenues as self-generated incomes, AWP has already exceeded the objectives for year one, and is moving firmly towards sustainability. On the other side, the quality of quarterly narrative reports needs further improvement. The AWP Executive Director [ED] still has difficulties in prioritizing AWP needs and long-term planning.

Seven AWP members will exhibit at "MOW 2006" furniture fair in Germany in the second part of September. Participation and exhibition in the fair is facilitated by GTZ. AWP members will pay for their own expenses, in addition to paying a service fee for AWP. AWP is revising its existing by-laws to reflect the decisions coming out from the June General Assembly Meeting. KCBS drew their attention to some proposed changes, such as the increase of the number of board members and extension of the mandate of the board, in that these may harm good governance.

In September AWP President and ED met with a group of wood manufactures from North Mitrovica. KCBS helped the association prepare its promotional materials and PowerPoint presentation in Serbian. The meeting promoted AWP, its services and some of the major activities such as the Kosovo Wood Fair. AWP leadership called upon businesses in enclaves to join AWP and appoint their representative to AWP board. Reduced membership fees were also offered to the participants in order to encourage their membership. It should be noted that the understanding of businesses on the association functions was very poor. Even though businesses expressed interest on AWP activities and services, they perceive associations solely as means of distributing material goods and financial aid.

RCAF: RCAF entered on its third quarter of the grant agreement with KCBS. Following the end of the second quarter of grant activities, we noticed that a number of activities initially scheduled for the second quarter were postponed for later. Rescheduling of activities will put some additional pressure on RCAF executive during quarter III and IV. It also confirms that their initial planning and budgeting of activities was very ambitious and as it stands we anticipate unspent funds at the end of the first year agreement of their agreement.

So far RCAF has finalized the business plan for a testing lab. The RCAF training workshop on EU quality standards in asphalt production held in July did not have the expected turnout, largely due to the fact that it was the busiest production time of the year; a larger turnout occurred when a STTA gave a presentation on the same subject in mid September. Better planning and scheduling of training events is required in the future. At its regular board meeting in September RCAF members discussed this quarter's activities and in particular the upcoming stakeholders' conference on road industry. Board members asked the RCAF ED to engage in an aggressive public awareness campaign regarding issues such as quality of roads and transparency in tendering procedures. KCBS is exploring with USAID and IREX opportunities for supporting an RCAF proposal for a special TV program/documentary on issues that concern road construction industry. The newly hired a RCAF Administrative and Finance Assistance started working in August.

RCAF held a conference on Sept. 27, organized in cooperation with the Association of Kosovo Municipalities. KCBS STTA gave a talk on Asphalt and Aggregate production development in Kosovo according to EU standards. This was followed by an open discussion. This is a critical area for the economy – the consequential cost of Kosovo's appalling road construction practices is a significant drain on the economy.

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KPDA: KDPA executive team continued with the implementation of the activities as per their second quarter of grant agreement. Almost no progress was marked during the first 3-4 months of the grant agreement with regard to membership dues collection. Misunderstanding on the relationship of the management company (i.e. AFAS) with the KDPA ED (at the same time an AFAS employee) coupled with a number of personality issues, led to resignation of the KDPA ED. Following such development KCBS sat with AFAS and KDPA leadership and re-emphasized the mutual responsibilities between the association and the management companies, as well as the share of responsibilities between the company and hired executive, and agreed on the future course of action. KDPA Head of the Board has a good understanding of such relationship and he is in full support of grant's main objective (i.e. ensuring KDPA sustainability). KDPA new executive started work in August. Immediately afterwards, the first six KDPA members paid their membership dues. KDPA engaged two trainers from Peja Agriculture Institute to deliver a training workshop on best milk hygiene practices. The training was held in September with 13 participants attending.

KACP: This quarter KCBS finalized the KACP strategic plan. As the first draft of the KACP strategic plan appeared too ambitious and detailed, we reviewed the plan in the light of making it more realistic and comprehensive. The new document is much more concise and activities are organized around a smaller number of goals. KACP strategic goals as stated in the revised strategic plan are to:

- a) Improve the quality of the concrete industry, and assist in the implementation of the quality standards for concrete production;
- b) Ensure a favorable regulatory and fiscal environment for a competitive concrete industry;
- c) Promote best practices of the industry and make members more competitive in the market;
- d) Become the leading authority in industry data in Kosovo.

8.2.3 Agricultural Associations: KAMP, SHPUK, and AKA

All three agricultural associations, KAMP, SHPUK and AKA reviewed their first year of implementation of strategic plan and started discussing the approach in their second year. They agreed to share infrastructure and program costs through establishing an association management center. Having all agricultural associations in one common location will help the integration of association work with cluster companies and KCBS cluster staff, and reduce overhead costs.

KAMP: During this quarter KAMP conducted different training programs for the milk producers. KAMP implemented the round baler program in order to increase quality of grass silage. In three harvesting 6,554 bales for 124 farmers were produced. KAMP visited more than 20 farmers that benefited from this project and measured the effect of grass silage preparation on milk production. The milk production has been increased from 8 % to 15 %.

KAMP worked on policy analyses and advocated for changes in order to increase the competitiveness of dairy sector in Kosovo. The complaint letter, white paper and recommendations on the need to reduce high imports during the summer, and the need for better monitoring of imported dairy products, were prepared and submitted to MAFRD, Kosovo Veterinarian and Food Agency (KVFA) and Prime Minister Office. Prime Minister Çeku met with the head of Pillar IV Mr. Rucker and discussed KAMP recommendations for the milk industry in Kosovo such as import tariffs, quotas and protection measures, which are in the line with WTO and Free Trade Agreements. KAMP also worked on issues regarding the safety and quality control of dairy.

After completion of KCBS hoof treatment grant, KAMP is continuing the work initiated by GRAUFI association. Hoof treatment equipment has been distributed to three selected

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farmers in Malisheva, Vushtri and Ferizaj and will be used by KAMP members. For each treated cow, farmers have to pay the association a fee of one Euro.

SHPUK: Over the last three months KCBS assisted SHPUK in revising their strategic plan, putting the emphasis on the seal of quality program and promotional campaign on the safety of eggs for consumers. SHPUK activities were focused on supply of one-day chicks for maintaining the industry and poultry feed production. SHPUK contacted companies from the region and EU to find the best quality and price for day old chicks, parent farm and poultry feed. SHPUK met with Hendrix Company from Holland and discussed the establishment of a parent farm in Kosovo. As the price of eggs in Kosovo during the quarter has been increased, there was a big risk that illegal imports of eggs from the countries where avian flu was present would start. SHPUK held several meetings with poultry producers, KVA and MAFRD in order to control imports.

SHPUK held a policy roundtable that had a very good turn out with 48 representatives from SHPUK, MAFRD, Kosovo Veterinarian and Food Agency, UNMIK Pillar IV, KCBS and media. The roundtable addressed the need to better monitor imported poultry products and prices, and proposed the best practices program for the poultry industry in Kosovo. A number of conclusions and recommendations on fiscal policy for poultry sector and antidumping strategy were identified, and a report prepared and submitted to Kosovo decision makers. It was agreed to sign the MOU between SHPUK and AVUK. This MOU will authorize SHPUK to ensure that for each poultry import, importer will be obliged to have an approval paper issued by SHPUK together with other AVUK documents.

KCBS supported SHPUK to evaluate the quality of animal feed produced locally and imported. 250 samples were taken at different animal feed and poultry producers. Results indicated that the quality of poultry feed is good and there is no difference between imported and locally produced animal feed.

SHPUK was invited from the World Bank to attend at WB meeting with MAFRD regarding avian flu. WB is planning to support MAFRD financially in order to prevent the disease and to remain poultry industry running. SHPUK offered to work with the MAFRD on implementation of the best practices program for the poultry industry in Kosovo and licensing strategy for Kosovo poultry producers.

SHPUK reviewed two grants applications, one on parent stock and other in pelleting of poultry feed. The final applications have been submitted to KCBS for approval

AKA: During the quarter AKA worked on establishing a testing laboratory primarily for agricultural inputs (seed, fertilizer, chemicals, etc.). AKA assisted farmers and agribusinesses to buy socially own farms and to use them to expand the agricultural and agribusiness activities. Following up on the AKA roundtable on credit strategy for privatization, AKA met with KTA representatives in order to find the best solution for privatization of agricultural land and other assets. AKA requested from KTA to: use a different payment scheme and spread payment in two or more slices for the privatized agricultural land and other assets, disallow the change of destination of privatized agricultural land, and request at least three year working experience in farm for the interested candidates for privatization of livestock farms.

Following on AKA electricity supply workshop, AKA contacted KEK in order to provide a specialist for the individual trainings for enterprises. This training aims to decrease the electrical bill through the better production management and proper use of Maxigraf and other electrical equipments. AKA has developed the member database that aims to track the contact history for members, dues and fee for service payments, and size of businesses. In the data base is included the Contact information, Company main activity, the number of employers, etc. AKA four-page newsletter was prepared, published in 500 copies and distributed to the agribusinesses, MAFRD and donor projects active in Kosovo.

KCBS and AKA attended the workshop on Planning and Strategy Development of Kosovo, for Pristina region, organized by the Office of the Prime Minister, Kosovo Chamber of Commerce and AKB. The aim of the workshop was to discuss the long term vision and

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planning for Kosovo Development Strategy involving governmental and civil society initiatives. KCBS was involved on business development component and made the recommendations for the final report.

KCBS and AKA attended the Executive Meeting of EAR's Marketing Support Project. The first project report was reviewed and the project work plan was discussed. KCBS was involved in discussions and made recommendations for the project work plan. EAR has identified Kosovo agribusiness associations to work in a variety of areas of expertise. The Anadrini association is going to work on the development and promotion of vegetable labeling, grading and packaging while AKA will assist on marketing support information and food quality and standards

8.2.4 Professional Development

Business Consultants Council: At its regular board meeting in September, BCC members agreed on a number of issues concerning the calendar of activities for their first year and the anticipated budget for these activities. BCC board members re-expressed their commitment to work toward raising the quality of business services in the Kosovo. Main pillars of BCC activities in year one will be:

- a) a training program that will improve the capacities of consultants to better respond to members' needs, and
- b) development of consultancy standards for Kosovo.

BCC members also agreed to hire a part time coordinator for a three month period, who will be responsible to finalize start up activities. This quarter we supported BCC finalize a grant application for KCBS.

8.3 Business Support Services

8.3.1 Assess market demand for consulting services

Under our sub-contract with UBO Creations on the SWOT and GAP analyses of the business services market the following deliverables are submitted as per the schedule:

- Vision of Cluster Development by 2008 and Anticipated Business service needs
- Report of Benchmark findings and suggestion
- SWOT/Gap Analyses with Recommendations for KCBS Year III Work plan.

The gap between the supply and demand for the three KCBS clusters is not so much in terms of the volume of services offered and requested, but it is in the nature of services requested. While BSPs have chosen to offer generalized services that can be replicated a multitude of times, the business community needs highly specialized, custom-tailored services. So, the main gap between the supply and demand is the inability of the BSPs to appropriately respond to the market demands. At the same time business community is unable to correctly identify problems they face, and request proper assistance.

Services that appeared to be most in demand include:

- Enhance communication between producers and processors to understand mutual needs.
- Business skills development programs for financial management, production techniques, organization development, marketing, and customer relations.
- Group purchasing to aggregate purchases and/or create new supply sources.
- Sourcing of raw materials (quality assurance; particular materials)
- Market information and market research
- Technology and Product design.
- Vocational training
- Access to capital

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- Education on internationally recognized food safety standards and regulations;
- New hybrids of seeds (producers) and other technical assistance associated with fruits and vegetables cultivation;
- Data on wholesale prices of raw materials (seeds, fertilizers, insect protection etc.)

KCBS and other donors currently provide many of these services. As donors depart, BSPs will have required significant training in unfamiliar areas in preparation for filling this void. In the next quarter the findings of the report will be disseminated to BSPs, KCBS associations and business clients, and a plan to proceed developed.

8.3.2 Improve the capacity of local service providers

We are addressing this issue by working closely with the association of business consultants. See Business Consultants Council under 8.2.4 above.

8.3.4 Regional cooperation

During this quarter KCBS continued to maintain regional contacts with different regional partners in order to promote cross – border cooperation.

KCBS participated in regional APA (Agriculture Project Alliance) meeting hosted by CHF International in Nis. Purpose of the meeting was continuation of the cooperation among different USAID funded projects in the region, cross – border cooperation and follow up with exchange of information about result of USAID intervention, mostly in dairy sector. KCBS presented current situation in dairy cluster in Kosovo and the improvements achieved in milk production and processing. All participants have expressed interest to learn more from KCBS about work with associations and especially the objectives and organization of KDPA. They asked that for the next meeting KCBS prepare presentation about KDPA. KCBS also received an invitation to organize visit of Kosovo farmers to a Demonstration farm funded with support of Mercy Corps in Krusevac region.

KCBS visited Company ‘Agroproduct’ animal feed producer in Kragujevac – Serbia to learn more about operation of soybean extruder and pelletizing equipment. KCBS got a lot of very valuable information, which will help in making decisions about future purchases of equipment needed by KCBS clients.

KCBS team participated in USDA/USAID Agricultural Committee Meeting hosted by Mercy Corps in Novi Pazar in Serbia in late September.

KCBS organized study tour for representatives of three client companies engaged in mushroom and forest fruits collecting and export. Purpose of the trip was to see organization of similar companies in Serbia, which are HACCP certified and to learn how to add value to similar products in Kosovo. Team also visited specialized international exhibition PAK TEK EXPO in Belgrade Fair and collected valuable contacts and information about packaging, labeling and packaging equipment.

KCBS attended a major Trade Fair in Zagreb at the end of September. Although the KCBS team spoke with close to a dozen relevant vendors, the fair overall seemed to target the general public/consumers and offered minimal opportunities for solid trade linkages. Fortunately, several private meetings with Croatian companies were arranged throughout the trip. Information/contacts were collected for discussion with KCBS clients in the areas of recycling, packaging, harvesting, equipment (green houses and fertilizers), standards and meat processing.

8.3.5 Minority business development

KCBS continued to support business development in Minority regions in Kosovo. Integration with the Kosovo economy and strengthening of market linkages among companies within Kosovo and the region was an important part of KCBS intervention during this quarter.

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- Dairy farm “Vukosavljevic Family” from village Dren in Leposavic Municipality received KCBS Grant in value of €9,500 for introduction of new technology (liquid manure collection system) and installation of stall dividers with watering system for 50 milking cows. This farm is member of KAMP and will be used as Demonstration farm for North Kosovo.
- Improving milk quality. KCBS provided lacto scan for MCC in village Lepina in Lipljan Municipality and trained staff to use it. Farmers from this village deliver milk to Bylmeti Dairy plant. The lacto scan, with other recommendation and trainings that KCBS provided for them, will help the MCC to improve quality of the milk and to increase sales and price of milk. This MCC is part of multi ethnic cooperative. KCBS continued to support milk producers in minority region of the Kosovo, exploring needs and opportunities for intervention in improving of milk production.
- KCBS organized workshop for farmers in Leposavic municipality on Pasture management and Silage making Process, 10 farmers was present.
- KCBS started to work with sheep farmers’ association “Zlatno runo” which today has 15 members and around 700 sheep. Currently, association needs equipment for sheep shearing and technical support in proper sheep and lamb feeding and sheep and lamb management. KCBS will continue to support this association.
- This summer blueberry collection season was very successful, several collection centers in Strpce and Leposavic Municipality were part of KCBS supported collection and export chain. Value of recorded export of blueberries is about €80,000. Chemonics donated blueberry racks for collectors in these regions through companies Skardus and As-promet. Most important outcome from this season is that people realized that is possible to earn significant income during short period of collecting season and that is possible to add value to Kosovo natural resources.
- Strengthening market linkages. KCBS organized several meetings with Kosovo Forest agency, regional office in Mitrovica and also “Sumsko Gazdinstvo- Ibar’-Leposavic in order to explore and assess possibility for Forest Certification in the region. KCBS also explored including Sumsko Gazdinstvo Ibar and Company Hrast - Leposavic in the supply chain for Korenica and Ukaj and to provide some products for production of EWF.
- KCBS facilitated meetings between waste collection and recycling companies “Eko-Kim’ from Zvecan Municipality and ‘Niti-Com’ from Ferizaj/Urosevac Municipality Cooperation between these two companies started with a first delivery of crushed PET bottles from Eko-Kim in quantity of 7.5 tons. Cooperation between these two companies and organization of Awareness Campaign regarding PET and other waste collection and recycling in Mitrovica and Peja can be a catalyst for an active recycling industry in Kosovo.
- AWPK organized presentation for wood processors from North Kosovo.

9.0 SALES AND MARKETING INITIATIVES

9.4.1 Decorative Stone

KCBS assisted BAUER KFT from Hungary to arrange sell-buy contracts for slates with quarry owners in Gllareva and Temeqina of Malisheva Municipality. First load of 16 pallets well packed for export went to Hungary in July. The financial value of this load is not significant but transaction itself gives a good opportunity for further export of decorative stones from Kosovo into Hungary, substituting similar import of decorative stone from Croatia into Hungary. The first shipment could be an advertising of Kosovo stones.

Contacts were kept also with two Turkish Marble Companies, OZERLER and DEMMERMARBLE, that visited for second time stone sites of Kosovo particularly decorative stone at Decani, Marble Breccia. KCBS informed these two company owners that for further cooperation they should contact EAR/IPA (Investment Promotion Agency) at MTI Pristina, since decorative stone promotion has been handed over to this agency.

9.4.2 PET Plastic recycling campaign

KCBS meet with NGO-s “7 SHTATORI” and “YOUTH NETWORK OF PEJA” in regard of proposal for possible taking over the waste collection campaign in Peja. This project will be financed by USAID but implemented by IREX/ATRC Pristina. KCBS will help with consultancy this two NGO's from Peja on application for grant and MOU.

9.4.3 Medicinal Herbs

KCBS, arranged meeting in Gjilan with participation of KFOR Maj. Tabakoff, Director of Agriculture, EU Marketing Support Project representative and KCBS client Mr. Halit Avdiaj of AGROPRODUKT Syne, Istog. The parties were interested in collection of Medicinal Herbs in Gjilan-Kamenica and Viti areawhere there are about 42 varieties of medicinal herbs. This idea was well accepted by participants. KFOR and interested parties of Gjilan Municipality will organize a collection campaign. The brochures and list with names of each herb in Latin, Albanian, Serbian language will be delivered to harvesters. Harvesting season starts by end of February next year. AGROPRODUKT offered the seed for wild medicinal herb cultivation, which will be a new experience in Gjilan area. AGROPRODUKT has started this season much more prepared to open new collection centers for medicinal herbs in Gjilan, Mitrovica and Podujeva. KCBS participated in one day seminar “Marketing in Agriculture” in Gjilan organized by EAR. The seminar topics were: How to make market linkages, branding, packaging etc. and opening ceremony of same project launched as “Marketing Information System in Kosovo” (MIS) in Pristina.

9.4.4 Waste containers

As a direct involvement of KCBS and Community Development Found-CDF in April 2006, CDF made the first purchase of 95 waste containers of 1.1.m3 and 7m3 to be manufactured by Llamkos Vushtrri. This is donation of Austrian Government for community of Fushe Kosova in value of €23.500. This transaction will substitute the similar, but low quality containers, that have been imported until now.

Also, the KTA Waste Management Dept. previously responsible for purchasing waste containers for public utility companies Kosovo-wide, will not purchase any more. This will be another opportunity for KCBS to continue forging market linkages between possible donors, public companies and Llamkos and in substituting imported containers by locally made ones.

9.4.5 Sheep Wool

The owner of the Gjilan carpet factory that was interested for Kosovo sheep wool is no longer ready to purchase local sheep wool. KCBS renewed the contact with Macedonian company AGROMIS and made market linkage with Kosovo company BANANA NTP to export all sheep wool deposits to Macedonia.

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10.0 STRATEGIC ACTIVITIES FUND [S.A.F.] MANAGEMENT

In the past quarter, KCBS through SAF has awarded one fixed price subcontract and one grant agreement. The value of signed awards for this quarter is €11,450. From this value €1,950, are awarded for subcontracts, and €9,500 for grants.

The only grant awarded was for livestock cluster with value of € 9,500; and one subcontract was awarded to general business support, with value of €1,950.

From the start of the project until end of September, 2006, KCBS through SAF has signed 47 fixed price subcontracts and 21 grant agreements. Total value of signed subcontracts, grants, and procurement of goods is €1,013,423. From this value, €500,155 awarded for subcontracts, €461,071 for grants and €52,197 for procurement of goods.

21 subcontracts and 7 grants are signed for livestock cluster in total value of €466,354 (including procurement of goods); three grants and two subcontracts with fruit and vegetables cluster €54,550; four subcontracts and two grants in construction material cluster €44,137; and 20 subcontracts and nine grants, for general business support €448,382.

From 47 subcontracts approved throughout the project, 39 have been completed successfully, seven subcontracts are ongoing and one was terminated. From total of 21 grants, five are completed and 16 are ongoing.

The interest of organizations to apply for funds during this quarter remained similar to last quarter. During this reporting period SAF has received 13 concept papers from different local organizations. From these 11 organizations were notified that their concept papers were rejected and to each of the organization KCBS sent notification for rejection with explanation why their concept papers were not acceptable. Two organizations, from minority regions in north part of Kosovo, will submit full grant applications.

Through this reporting period SAF team concentrated its efforts in monitoring of ongoing activities awarded through SAF and was involved in helping with procurement of equipment for ongoing grants. Most of the time that was spent on overseeing activities was for grants awarded under the voucher scheme that is implemented through MCI in partnership with Drini and SCAAK; on implementation of grant for demonstration of rotobaling technology; and on implementing the grant supplying equipment to Kosovo Chamber of Commerce for their Business Association Development Center, which now with USAID/KCBS support is equipped with simultaneous translation equipment, laptop and projector. The Chamber is thus fully equipped to serve as a center for organizing conferences or training events for KCC, and for providing services to organize events for other organizations.

KCBS continued to monitor the consultants implementing the grant with MCI on Counseling and Training Voucher Scheme. Vouchers were awarded to 12 entrepreneurs and SME's in the first round. On July the evaluation panel met to review second round of applications. Out of 46 voucher applications forwarded to the panel in second meeting, only 17 were awarded in the second round due to financial limitations of the grant from KCBS. In total 29 vouchers were awarded which require financial means of €39,922 from €40,000 approved from KCBS.

The approved grant this quarter was for Vukosavljevic Family, with the purpose to use this farm as the demonstration farm for farmers in north part of Kosovo. These are mainly minority farmers. The application for establishing demonstration farm in south part of Kosovo is in the process of review, and KCBS expects that this project will start early October. The subcontract awarded this quarter was to MDA to conduct workshops on financial management for association leaders.

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

11.0 PERFORMANCE-BASED MANAGEMENT SYSTEM

11.1 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.

During this quarter, we continued to collect the data and prepare reporting according to the new methodology developed in the previous quarter. All issues and concerns faced earlier with reporting finally have been solved during this quarter. Adequate changes have been made to the database to reflect these changes.

11.2 Data collection

The data is collected from 85 companies in all three clusters.

From this number of companies, 14 companies are not active. In this quarter one company became non-active. KB Zahaqi in Fruit and vegetables cluster became non-active because he refused to cooperate with KCBS; moreover he was abusive to KCBS and other companies with whom KCBS was working on blueberry collection.

No problems were identified in collection of data on primary indicators. However, the major problem remains collection of data from the Agency for Business Registry, which is under MTI. Every quarter it is enormously difficult for PBMS specialist to collect the data from that source, even though the Agency has agreed to cooperate with KCBS. The data from other ministries or agencies, such as Ministry of Finance or Statistical office of Kosovo is received on regular basis.

Indicators for performance at the quarter end are as follows:

	After 24 Months
Number of companies assisted	85
Number of active companies	71
Increase in sales – euros (in millions) ***	34.7
Increase in sales over baseline – in %	44.5%
Increase in FTE jobs	1,860
Increase in financing – euros (in millions)	9.6
Increase in capital investment – euros (in millions)	21.0

*** Total aggregated sales by companies to date are €112,766,865. The aggregated total of the corresponding baseline figures for the same period during which companies have been KCBS clients is €78,046,227.

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

Number of companies assisted	41
Number of active companies	36
Increase in sales – euros	18,556,175
Increase in FTE jobs	440
Increase in financing – euros	1,467,300
Increase in capital investment – euros	3,804,500

11.2.2 Fruits and Vegetables Cluster

Number of companies assisted	19
Number of active companies	14
Increase in sales – euros	7,570,431
Increase in FTE jobs	395
Increase in financing – euros	495,000
Increase in capital investment – euros	276,659

11.2.3 Construction Materials Cluster

Number of companies assisted	25
Number of active companies	21
Increase in sales – euros	8,594,032
Increase in FTE jobs	1,025
Increase in financing – euros	7,702,000
Increase in capital investment – euros	16,904,429

11.5 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. Every single transaction entered in database was checked for accuracy.

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11.6 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 determined whether the results were caused by the KCBS intervention and thus attributable to the project.

11.7 Status of the Indicators

The status of the Project Indicators is set out in the Annex entitled Performance Data. The Annex also gives the status of the New Common Indicators that were added at the start of Year Two.

12.0 COMMUNICATIONS AND PUBLICITY

The communications team continued to fulfill its duties as foreseen in the work plan always remaining committed to the main principles stated in the Communications Strategy.

11.1 Events

KCBS Communications team has assisted grantees and sub-contractors to organize events and assure that those having a public interest are covered by the media.

HAK organized a field day for improved pasture management in Aqareve and also promoted the “Practical Orchardng” book at the Faculty of Agriculture, which attracted media attention.

KCBS brought together blueberry collectors and buyers to remind them of the export possibilities that Kosovo offers. This meeting has proved to be very successful as tons of blueberries were exported in the months that followed.

“Fruti” Association promoted new cultivation technologies in a field day that gathered many of its members and some of the most prominent professors of the Faculty of Agriculture.

11.2 Publications

KCBS put together a brochure on the Importance of Forest Certification that was printed in three languages and distributed to serve as a tool of education to all the relevant institutions.

The close co-operation built in the past quarter between KCBS and the Ministry of Agriculture has continued, as Senior Livestock Advisor Albert Wanous, wrote another article for the MAFRD magazine (“New Crop Varieties for a New Kosovo”) July edition.

Other brochures the communications team has worked on during this quarter included: Silage Preparation, Blumethile Test, Acidity in Milk, Milk Processing practices, Detection of Mastitis, Golden Rules for farms, Handling milk from the farm to the collection points, Artificial Insemination and Sheep Feeding.

KCBS has assisted KAMP, SHPUK, KODAA, AKA, and HAK in editing, branding and translating all publication materials properly and in compliance with USAID policy.

11.3 Success stories

This quarter was more quiet as far as success stories are concerned. We have submitted information for a success story on shipping sheep. Currently the Communications and the Fruits and Vegetables teams are collecting information on blueberry exports.

In the meanwhile we are awaiting approval for 2 success stories:

- Apple Grading
- KS Graded Eggs

11.4 Other

Other activities carried out by the KCBS Communications Team included media monitoring, contributions for the USAID E-news, putting together a list of ideas for a recycling campaign, assisting OEK in organizing a promotional event, etc.

KOSOVO CLUSTER AND BUSINESS SUPPORT

QUARTERLY REPORT

QUARTER ENDING: 30 SEPTEMBER 2006

PERFORMANCE DATA

KCBS Quarterly PBMS Report

Summary of Quarterly Results

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

SO# IR#	SO Name	Unit measure	Base-line Year	Base-line Value	2004 Actual	2005 Actual	2006 Target	Q1 2006 Actual	Q2 2006 Actual	Q3 2006 Actual	Q4 2006 Actual	2006 To Date
1.3	Accelerated Private Sector Growth											
Indicators												
1	Value of company profit taxes collected	Euros	2003	28,412,404	42,840,000	39,228,497	40,500,000	-	-	28,272,194	38,054,639	38,054,639
2 (AR)	Exports as a percentage of imports	Percent	2003	3.70%	4.90%	5.59%	8.00%	4.65%	4.78%	5.57%	6.11%	6.11%
1.3.1	Increased Competitiveness of Targeted Clusters											
Indicators												
1	Increase in sales among targeted enterprises (Revised indicator by KCBS)	Euro	2003	0	35,755,626	6,682,433	20,000,000		20,999,581		34,720,638	34,720,638
1a.	% increase in sales over current baseline -€78,046,227-(Revised indicator by KCBS)	Percent			0	22.2%	10%		46.1%		44.5%	44.5%
2 (AR)	Jobs created within targeted clusters	Number	2003	0	0	327	600	445	742	1,164	1,860	1,860
2a.	Jobs created within targeted clusters (Revised targets of KCBS)	Number	2003	0	0	327	1,000	445	745	1,164	1,860	1,860
3	Labor productivity among targeted enterprises	Number	2005	0	0	-11%	10%	0%	0%	-10%	-9%	-9%
1.3.1.1	Improved Productive Capacity of Private Enterprises											
Indicators												
1	Increased capital investment among targeted enterprises	Number	2004	0	0	2,341,908	3,000,000	8,442,691	8,858,720	19,075,526	20,985,588	20,985,588
1.3.1.2	Improved Quality Control											
Indicators												
1	Number and type of standards approved by target associations	Number	2004	0	0	0	TBD	-	-	-	-	-
1.3.1.3	Strengthened Capacity to Access Credit											
Indicators												
1	Increased financing among targeted enterprises	Euro	2003	0	0	2,081,375	6,000,000	3,628,500	4,231,500	9,361,500	9,664,300	9,664,300

KCBS Quarterly PBMS Report

Summary of Quarterly Results

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

SO# IR#	SO Name	Unit measure	Base-line Year	Base-line Value	2004 Actual	2005 Actual	2006 Target	Q1 2006 Actual	Q2 2006 Actual	Q3 2006 Actual	Q4 2006 Actual	2006 To Date
1.3.2	Improved Business Operating Environment											
Indicators												
1 (AR)	Number of companies registered - two quarters	Number	2003	30,966	40,703	48,497	47,000	51,078	52,913	52,913	65,051	65,051
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	Strengthened Business Consulting Services											
Indicators												
1	Number of businesses using business consulting services	Number	2004	0	0	N/A	TBD	-	-	-	-	-
1.3.2.2	Improved Capacity for Policy Dialog											
Indicators												
1	Number of Private-Public Task Group irecommendations implemented	2004	0	0	0	N/A	TBD	-	-	-	-	-
1.3.2.3	Business Associations Responsive to Client Needs											
Indicators												
1	Number of associations with approved strategic plans	Number	2004	0	0	7	10	7	7	7	7	7
2	Percent of non-donorrevenues generated by the associations	Percent	2003	0	0	4>50%	7>70%	4>50%	6>50%	7>50%	4>40%	4>40%
3	Number of associations employing non-volunteer staff	Number	2004	0	0	7	5	7	9	9	12	12

KCBS Quarterly PBMS Report

Annual Goals and Results

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

SO# IR#	SO Name	Unit measure	Base-line Year	Base-line Value	2004 Target	2004 Actual	2005 Target	2005 Actual	2006 Target	2006 Actual	2007 Target	2007 Actual	2008 Target	2008 Actual
1.3	Accelerated Private Sector Growth													
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	38,054,639	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%	6.11%	10%		12%	
1.3.1	Increased Competitiveness of Targeted Clusters													
Indicators														
1	Increase in sales among targeted enterprises	Euro	2003	0	0	35,755,626	10,000,000	6,682,433	20,000,000	34,720,638	35,000,000		50,000,000	
	% increase in sales over current baseline (€78,046,227)	Percent	2004	0	0	0	5%	22.2%	10%	44.5%				
2 (AR)	Jobs created within targeted clusters	Number	2003	0	0	0	200	327	600	1,860	1,100		1,700	
2a.	Jobs created within targeted clusters (Revised targets of KCBS)	Number	2003	0	0	0	400	327	1000	1,860	3,000		5,000	
3	Labor productivity among targeted enterprises	Number	2005	0	0	0	5%	-11%	10%	-9%	15%		20%	
1.3.1.1	Improved Productive Capacity of Private Enterprises													
Indicators														
1	Increased capital investment among targeted enterprises	Number	2004	0	0	0	1,500,000	7,881,475	3,000,000	20,985,588	4,000,000		5,000,000	
1.3.1.2	Improved Quality Control													
Indicators														
1	Number and type of standards approved by target associations	Number	2004	0	0	0	0	0	TBD	0	TBD		TBD	
1.3.1.3	Strengthened Capacity to Access Credit													
Indicators														
1	Increased financing among targeted enterprises	Euro	2003	0	0	0	3,000,000	3,380,200	6,000,000	9,664,300	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# IR#	SO Name	Unit measure	Base-line Year	Base-line Value	2004 Target	2004 Actual	2005 Target	2005 Actual	2006 Target	2006 Actual	2007 Target	2007 Actual	2008 Target	2008 Actual
1.3.2 Improved Business Operating Environment														
Indicators														
1 (AR)	Number of companies registered - two quarters	Number	2003	30,966	37,000	40,703	42,000	48,497	47,000	65,051	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%	0.0%	12.0%		8.0%	
	b. Private bureau coverage - number of borrowers per 1000 capita	Number	2004	46.8			N/A	N/A	100.0	0.0	200.0		400.0	
	c. Cost of enforcing contracts - cost as a % of debt.	Percent	2004	29.0%			N/A	N/A	26.0%	0.0%	23.0%		20.0%	
	d. Number of unresolved claims	Number	2004	N/A			N/A	N/A	TBD	0	TBD		TBD	
1.3.2.1														
Indicators														
1	Number of businesses using business consulting services	Number	2004	0	0	0	N/A	N/A	TBD	0	TBD		TBD	
1.3.2.2 Improved Capacity for Policy Dialog														
Indicators														
1	Number of Private-Public Task Group recommendations implemented	2004	0	0	0	0	N/A	N/A	TBD	0	TBD		TBD	
1.3.2.3 Business Associations Responsive to Client Needs														
Indicators														
1	Number of associations with approved strategic plans	Number	2004	0	0	0	6	7	10	7	14		20	
2	Percent of non-donor revenues generated by the associations	Percent	2003	0	0	0	4>50%	4>50%	7>70%	4>40%	10>80%		14>80%	
3	Number of associations employing non-volunteer staff	Number	2004	0	0	0	3	7	5	12	8		14	

Status of the New Common Indicators:

Total number of companies that KCBS assisted from the beginning of the project is 85. However, there are more companies and individuals that are assisted directly by KCBS or through associations. We are capturing that number of assisted entrepreneurs through indicator 2 – Number of entrepreneurs receiving services supported by USAID.

Indicator 1: Total number of enterprises benefiting from USAID business development assistance

The actual number of USAID–assisted enterprises for Q4 of FY 2006 is 85. The number represents direct KCBS clients since the start of the project.

Indicator 2: Number of entrepreneurs receiving services supported by USAID

The actual cumulative number of entrepreneurs for 2006 is 829. This number represents clients assisted by KCBS through associations. Only in this quarter, the number is 203.

Indicator 3: Number of firms using improved accounting and reporting as result of USAID-assistance.

The total number to date in FY 2006 of firms using accounting assistance is 71. The number didn't change from previous quarter because there was no activity on accounting training. This is the number of firms attended accounting trainings organized by SCAAK through service provider Piramida in the minority areas.

Indicator 4: Number of people trained

The total number of trainings in FY 2006 is 4,276. In the fourth quarter alone, KCBS assisted in training of 1,317 people. Some of these might have also attended trainings in the prior quarters. Below is the number of participants in the fourth quarter by the type of activity:

- Number of participants in USAID-assisted presentations was 156.
- Number of participants in USAID-assisted seminars was 63.
- Number of participants in USAID-assisted trainings was 587.
- Number of participants in USAID-assisted training workshops was 220.

Number of people attending other activities through USAID assistance:

- Number of people attending USAID-assisted roundtables was 48.
- Number of people attending USAID-assisted demonstration presentations was 126.
- Number of people attending USAID-assisted field days was 117.

Indicator 5: Number of full time jobs in excess of two weeks

The number of full time jobs of 1,860 is related to the IR.1.3.1 (2) Jobs created within targeted clusters. These are the additional jobs created over the baseline.

Indicator 6: Number of USAID-assisted transactions completed by local firms with US and other foreign firms.

The total number of USAID-assisted transactions completed by local firms with US and other foreign firms in FY 2006 to date is 1,178. In the fourth quarter alone the number of transactions is 522. Below is the number of transactions segregated by the type and origin:

- Number of importing transactions
 - From US firms 7
 - From other foreign firms 378
- Number of exporting transactions
 - To US firms 0
 - To other foreign firms 137

Indicator 7: Total annual value of transactions of USAID-assisted firms with US and other foreign firms.

The total value of transactions of USAID-assisted firms with US and other foreign firms to date in FY 2006 is €19,638,158 In fourth quarter only, the value of transactions is €9,483,838. Segregated by the type and origin this data is as follows:

- Value of importing transactions
 - From US firms €42,700
 - From other foreign firms €7,249,671
- Value of exporting transactions
 - To US firms 0
 - To other foreign firms €2,191,467

Indicator 8. Number of people trained in trade and investment.

There was no activity performed on trade and investment.

ACTIVITY IN THE QUARTER – BY CLUSTER

KCBS intervened at 71 companies in the quarter.

Data has been collected for 36 companies from the Livestock [Dairy-Beef-Poultry-Animal Feed] Cluster, 14 companies from Fruits and Vegetables Cluster and 21 companies from Construction Materials Cluster. The data for non-client companies on blueberry collection is consolidated in one figure and presented in the table of the data for Fruit and vegetables cluster as “Blueberry collectors”.

Data on cumulative increase on primary indicators by cluster:

1. Livestock [Dairy-Beef-Poultry-Animal Feed] Cluster

Increase in sales in livestock cluster represents 53% of total increase at project level, while increase in production is 56% of the total increase. From 1,860 new FTE, in livestock cluster there are 440 new jobs or 24% of the total increase in employment. Increase in investment represents 18% and in financing 15% of total increase.

Again in this quarter, the main increase in sales comes from the two leaders of the livestock cluster, Abi and Devolli.

Three companies that are active clients, but yet show significant decrease in sales comparing with baseline are Agrounion, Agronomi and Xeni. Obviously, October is one of the months when most of the sales occur (seasonality). So, from the start of the next fiscal year, it is foreseen that these companies will change the course of their sales, and for the first time will show on their records positive figures.

Table 1. Change in primary indicators by company - Livestock cluster

No.	Company name	Increase in sales	Increase in FTE	Increase in Financing	Increase in Investment
1	Abi	11,511,584	23	-	180,000
2	Adi	1,106,351	47	-	72,750
3	Agroleu	8,472	-	-	-
4	Agronomi	(1,478,512)	10	-	6,800
5	Agrounion	(1,988,515)	15	-	53,000
6	Ajka	1,811,636	12	8,200	66,500
7	Aldi	297,201	15	8,900	19,000
8	Bylmeti	1,292,657	18	27,300	90,500
9	Devolli	4,941,239	31	-	20,000
10	Disa	11,213	1	-	-
11	Diti	634,797	7	5,000	45,000
12	Euroлона	48,996	9	145,000	296,000
13	Fauna	450,204	11	300,000	800,000
14	Fit Dani	(398,537)	15	-	21,000
15	Fitofarma	1,474,885	13	-	79,500
16	Gjini & Tag	(618,428)	8	-	-
17	Golaj	65,425	5	32,800	45,000
18	Jazi	433,316	5	-	-
19	Kabi	(830,425)	23	600,000	1,200,000
20	Koxha Commerce	79,708	11	-	15,000
21	Lahor	(7,730)	4	-	-

22	Legjendasi	1,583	1	-	-
23	Lulja e Sharrit	116,100	3	150,000	40,000
24	Luma Commerce	(32,849)	2	-	-
25	Maloku	125,009	12	-	37,000
26	Mazreku	244,313	11	5,000	96,950
27	Qengji	415,173	3	-	2,500
28	Rona	2,524,049	16	30,800	20,000
29	Rudina	(270,862)	13	-	-
30	Sazli	238,515	7	-	-
31	Shala	177,745	7	4,300	60,000
32	Simental	9,548	1	-	-
33	Soni	604,233	96	-	341,800
34	Taka	283,162	11	-	-
35	Te Lirimi	15,325	0	-	-
36	Xeni	(4,740,406)	3	-	13,000
Grand Total		18,556,175	440	1,467,300	3,804,500

2. Fruits and Vegetable Cluster

Increase in sales in Fruits and Vegetable cluster represents 22% of total increase at project level, while increase in production is 7% of the total increase. From 1,860 new FTE, in Fruits and Vegetable cluster there are 395 new jobs or 21% of the total increase in employment. Increase in investment represents 1% and in financing 5% of total increase. The main contributors to the increase in employment are the companies in blueberry collection with an increase of over 148 new FTE. The best performance again is shown on Pestova company records. This company increased the sales comparing to the baseline data by more than €2.6 million, mainly through export of potatoes to Albania and Romania. Anyway the major breakthrough was made in blueberry collection. Data collected from 11 companies (three are KCBS clients) show that it was collected approx. 600 tons of blueberries, and total amount exported to Italy, Slovenia, Macedonia, Montenegro and Serbia for 1,5 million euros.

Table 2. Change in primary indicators by company - Fruits and vegetable cluster

No.	Company name	Increase in sales	Increase in FTE	Increase in Financing	Increase in Investment
1	Agroproduct Commerce	1,235,442	111	-	-
2	Agroproduct Syne	106,456	30	-	-
3	Albi	1,193,173	12	470,000	-
4	Delta Pomfrit	298,504	10	-	7,455
5	Eurofruti	429,000	8	-	-
6	Hit-Flores	(34,730)	34	-	-
7	INP	166,673	3	-	19,000
8	Juniperi Fructus	(9,128)	9	-	-
9	KB Qengjat e Sharrit	70,042	2	-	-
10	Pestova	2,617,264	46	-	222,104
11	Pisha	6,354	1	-	-
12	Sani	51,318	7	25,000	20,000
13	Visari	100,990	1	-	-
14	Zejna	158,173	3	-	8,100
15	Blueberry Collectors	1,180,900	148	-	-
Grand Total		7,570,431	395	495,000	276,659

3. Construction Cluster

Increase in sales in construction cluster represents 25% of total increase at project level, while increase in production is 37% of the total increase. From 1,860 new FTE, in construction cluster there are 1,025 new jobs or 55% of the total increase in employment. Increase in investment represents 81% and in financing 80% of total increase. There are two main reasons for this increase: privatization process - companies such as FAN Zahir Pajaziti, Korrotica, NewCo Silcapor and Tullëtorja, (10.9 million euros is investment of these four companies – almost 65% of the value invested in construction cluster, and 5 million euros on financing of these four companies – more than 65% of the total value of financing in construction cluster); and the second reason is related to the companies Ukaj and Korenica, assisted by KCBS in manufacturing of engineered wood flooring for US market. Investment and financing of these two companies was respectively 11% and 18% of the construction cluster.

Table 3. Change in primary indicators by company – Construction cluster

No.	Company name	Increase in sales	Increase in FTE	Increase in Financing	Increase in Investment
1	Ana	85,525	6	20,000	33,000
2	As	140,660	13	-	189,000
3	Bejta Commerce	(178,963)	59	885,000	1,729,300
4	Brest PMP	195,902	1	50,000	52,200
5	Brovina	468,537	20	-	65,000
6	Eskavatori	177,016	19	100,000	1,128,199
7	Eurokosi	261,825	-	-	22,000
8	FAN Zahir Pajaziti	2,769,140	38	800,000	2,770,516
9	Gacaferri	508,410	38	-	243,000
10	KAG Asphalt	(641,344)	-	250,000	121,150
11	Kamilja	203,800	9	-	24,000
12	Korenica	544,698	43	550,000	1,161,300
13	Korrotica JSC	302,800	22	250,000	1,051,000
14	Lesna	234,066	68	-	80,000
15	Lin Project	108,415	2	-	8,000
16	New Co Silcapor	4,501,740	462	972,000	2,946,000
17	Papenburg & Adriani	(3,780,813)	73	-	388,654
18	Tullëtorja LLC	1,662,200	77	3,000,000	4,120,000
19	Ukaj	320,055	47	825,000	715,110
20	Vëllezërit Rama	(2,988)	5	-	5,000
21	Wood Combine New Co	713,351	30	-	52,000
Grand Total		8,594,032	1,025	7,702,000	16,904,429

**KCBS Quarterly Report
Strategic Activities Fund (SAF)
January 2005 - September 2006**

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	€ 466,354	\$ 588,795	€ 346,060	\$ 432,801.15	€ 114,735	€ 5,559	€ 120,294
Fruits & Vegetables	€ 54,550	\$ 67,049	€ 40,725	\$ 52,204.39	€ 13,825	€ -	€ 13,825
Construction Materials	€ 44,137	\$ 56,209	€ 40,321	\$ 48,021.46	€ -	€ 3,816	€ (3,816)
General Business Support	€ 448,382	\$ 560,586	€ 257,758	\$ 322,686.12	€ 185,081	€ 5,543	€ 179,538
Grand Total	€ 1,013,423	\$ 1,272,640	€ 684,863	\$ 855,713.12	€ 313,641	€ 14,918	€ 309,840

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	€ 461,071	\$ 565,746	€ 244,056	\$ 301,716	€ 212,246	€ 4,769	€ 217,015
Fixed Price Subcontracts	€ 500,155	\$ 640,285	€ 418,611	\$ 526,350	€ 71,395	€ 10,149	€ 81,544
Procurement of Goods	€ 52,197	\$ 66,608	€ 22,197	\$ 27,647	€ 30,000	€ -	€ 30,000
Grand Total	€ 1,013,423	\$ 1,272,640	€ 684,863	\$ 855,713	€ 313,641	€ 14,918	€ 328,559

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

Average Exchange Rate for Project Disbursements to date is \$1.2557 to One Euro

**KCBS Quarterly Report
Strategic Activities Fund (SAF)
January 2005 - September 2006**

Last Update 8-Sep-2006

Type of Award	SAF Tracking No.	Awardees	Amount Approved €	Amount Approved \$	Date Signed	Award Term		Actual Ending Date	Total Disbursed €	Total Disbursed \$	Total Remaining/Approved		Status
						Started	End				To Be Reimbursed €	Remaining Amount / activity closed €	
Livestock Cluster													
Grants	LC-SGA-003	AGROCOOP	€ 14,060	\$ 16,940	23-Sep-2005	26-Sep-2005	26-Aug-2006		€ 5,466	\$ 6,674	€ 8,594	€ -	
	LC-SGA-010	FAUNA	€ 15,000	\$ 18,072	5-Jan-2006	5-Jan-2006	4-Jan-2007		€ 13,007	\$ 15,671	€ 1,993	€ -	
	LC-SGA-011	ASSOC. OF WHEAT SEED CULTIVATORS	€ 5,800	\$ 6,988	18-Jan-2006	18-Jan-2006	18-Jun-2006		€ 3,685	\$ 4,608	€ 2,115	€ -	
	LC-SGA-015	KAMP	€ 38,435	\$ 46,872	24-Apr-2006	25-Apr-2006	25-Aug-2006		€ 33,393	\$ 43,368	€ 5,042	€ -	
	LC-SGA-016	GRAUFI	€ 17,720	\$ 21,349	24-Mar-2006	26-Mar-2006	25-Aug-2006		€ 17,660	\$ 22,778	€ -	€ 60	CLOSED
	LC-SGA-018	KAMP	€ 1,600	\$ 1,951	16-May-2006	16-May-2006	16-Jun-2006		€ 1,600	\$ 2,078	€ -	€ -	CLOSED
	LC-SGA-021	PTU Vuksavljevic Family	€ 9,500	\$ 12,338	13-Jul-2006	12-Jul-2006	11-Jul-2007		€ -	\$ -	€ 9,500	€ -	
Total Grants			€ 102,115	\$ 124,510				€ 74,811	\$ 95,177	€ 27,244	€ 60		
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	€ 23,817	\$ 32,184	8-Apr-2005	8-Apr-2005	11-Nov-2005	11-Nov-2005	€ 23,817	\$ 29,517	€ -	€ -	CLOSED
	LC-FPS-011	BIOLAB	€ 55,050	\$ 73,400	20-Jun-2005	20-Jun-2005	31-Jan-2006	1-Feb-2006	€ 55,050	\$ 66,694	€ -	€ -	CLOSED
	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		€ 15,000	\$ 18,675	€ 3,000	€ -	
	LC-FPS-023	KODAA	€ 21,076	\$ 26,020	14-Oct-2005	14-Oct-2005	30-Aug-2006		€ 18,373	\$ 23,395	€ -	€ 2,703	CLOSED
	LC-FPS-029	DUKAGJINI	€ 4,540	\$ 5,537	2-Nov-2005	2-Nov-2005	11-Jan-2006	20-Dec-2006	€ 4,540	\$ 5,470	€ -	€ -	CLOSED
	LC-FPS-030	REA	€ 15,750	\$ 19,207	14-Nov-2005	15-Nov-2005	15-Oct-2006		€ 12,750	\$ 15,942	€ 3,000	€ -	
	LC-FPS-031	BIOLAB	€ 37,539	\$ 45,228	9-Dec-2005	10-Dec-2005	25-Jun-2006		€ 37,539	\$ 46,990	€ -	€ -	CLOSED
	LC-FPS-032	UBO	€ 7,625	\$ 9,187	23-Dec-2005	23-Dec-2005	15-Feb-2006	15-Feb-2006	€ 7,625	\$ 9,357	€ -	€ -	CLOSED
	LC-FPS-033	IHB X	€ 2,100	\$ 2,530	12-Jan-2006	12-Jan-2006	28-Feb-2006	1-Mar-2006	€ 2,100	\$ 2,530	€ -	€ -	CLOSED
LC-FPS-037	KDC	€ 5,321	\$ 6,411	3-Mar-2006	3-Mar-2006	18-Apr-2006	18-Apr-2006	€ 5,321	\$ 6,735	€ -	€ -	CLOSED	

**KCBS Quarterly Report
Strategic Activities Fund (SAF)
January 2005 - September 2006**

Last Update

8-Sep-2006

Type of Award	SAF Tracking No.	Awardees	Amount Approved €	Amount Approved \$	Date Signed	Award Term		Actual Ending Date	Total Disbursed €	Total Disbursed \$	Total Remaining/Approved		Status
						Started	End				To Be Reimbursed €	Remaining Amount / activity closed €	
	LC-FPS-038	HAK	€ 14,318	\$ 17,461	21-Apr-2006	14-Apr-2006	15-Oct-2006		€ 5,727	\$ 7,344	€ 8,591	€ -	
	LC-FPS-040	DUKAGJINI	€ 3,945	\$ 4,811	24-Apr-2006	24-Apr-2006	31-Aug-2006		€ 3,945	\$ 1,997	€ -	€ -	CLOSED
	LC-FPS-041	KODAA	€ 9,790	\$ 11,939	24-Apr-2006	24-Apr-2006	15-Dec-2006		€ 1,960	\$ 5,071	€ 7,830	€ -	
	LC-FPS-042	KDC	€ 9,150	\$ 11,159	24-Apr-2006	25-Apr-2006	15-Jul-2006		€ 9,150	\$ 11,883	€ -	€ -	CLOSED
	LC-FPS-045	BIOLAB	€ 35,070	\$ 45,545	21-Jun-2006	10-Jul-2006	25-Jan-2007		€ -	\$ -	€ 35,070	€ -	
	LC-FPS-046	NEW DESIGN	€ 8,990	\$ 11,675	19-Jun-2006	20-Jun-2006	15-Sep-2006		€ 7,694	\$ 9,992	€ -	€ 1,296	CLOSED
Total FPS			€ 312,042	\$ 397,676					€ 249,052	\$ 309,977	€ 57,491	€ 5,499	
Procurement of Goods	LC-POG-001	KOSOVO VET. LAB.	€ 18,397	\$ 22,712				2-Nov-2005	€ 18,397	\$ 22,712	€ -	€ -	CLOSED
	LC-POG-002	KOSOVO VET. LAB.	€ 3,800	\$ 4,935				19-Jun-2006	€ 3,800	\$ 4,935	€ -	€ -	CLOSED
	LC-POG-003	MCC Equipment	€ 30,000	\$ 38,961	21-Jun-2006						€ 30,000	€ -	
Total Procurement			€ 52,197	\$ 66,608					€ 22,197	\$ 27,647	€ 30,000	€ -	
Total Livestock Cluster			€ 466,354	\$ 588,795					€ 346,060	\$ 432,801	€ 114,735	€ 5,559	

**KCBS Quarterly Report
Strategic Activities Fund (SAF)
January 2005 - September 2006**

Last Update

8-Sep-2006

Type of Award	SAF Tracking No.	Awardees	Amount Approved €	Amount Approved \$	Date Signed	Award Term		Actual Ending Date	Total Disbursed €	Total Disbursed \$	Total Remaining/Approved		Status
						Started	End				To Be Reimbursed €	Remaining Amount / activity closed €	
Fruits And Vegetables													
Grants	FV-SGA-012	PESTOVA	€ 35,000	\$ 42,169	4-Feb-2006	4-Feb-2006	4-Dec-2006		€ 25,500	€ 33,117	€ 9,500	€ -	
	FV-SGA-014	FRUTI	€ 8,600	\$ 10,617	13-Mar-2006	13-Mar-2006	13-Jul-2006		€ 8,135	\$ 10,245	€ 465	€ -	
	FV-SGA-019	HAK	€ 6,240	\$ 7,899	26-May-2006	26-May-2006	25-Nov-2006		€ 2,380	€ 3,091	€ 3,860	€ -	
Total Grants			€ 49,840	\$ 60,684					€ 36,015	\$ 46,453	€ 13,825	€ -	
Fixed Price Subcontracts	FV-FPS-005	PESTOVA	€ 1,450	\$ 1,959	29-Mar-2005	29-Mar-2005	21-Oct-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	4-Nov-2005	€ 3,260	\$ 4,115	€ -	€ -	CLOSED
											€ -	€ -	
Total FPS			€ 4,710	\$ 6,365					€ 4,710	\$ 5,751	€ -	€ -	
Procurement of Goods											€ -	€ -	
											€ -	€ -	
											€ -	€ -	
Total Procurement			€ -	\$ -					€ -	\$ -	€ -	€ -	
Total F & V Cluster			€ 54,550	\$ 67,049					€ 40,725	\$ 52,204	€ 13,825	€ -	

**KCBS Quarterly Report
Strategic Activities Fund (SAF)
January 2005 - September 2006**

Last Update 8-Sep-2006

Type of Award	SAF Tracking No.	Awardees	Amount Approved €	Amount Approved \$	Date Signed	Award Term		Actual Ending Date	Total Disbursed €	Total Disbursed \$	Total Remaining/Approved		Status
						Started	End				To Be Reimbursed €	Remaining Amount / activity closed €	
Construction Materials Cluster													
Grants	CM-SGA-001	RCAK	€ 12,677	\$ 16,463	12-Jul-2005	13-Jul-2005	20-Oct-2005	15-Dec-2005	€ 11,449	\$ 12,543	€ -	€ 1,228	CLOSED
	CM-SGA-002	AWPK	€ 12,620	\$ 15,580	15-Aug-2005	15-Aug-2005	15-Nov-2005	16-Jan-2006	€ 10,032	\$ 12,297	€ -	€ 2,588	CLOSED
											€ -	€ -	
Total Grants			€ 25,297	\$ 32,043					€ 21,481	\$ 24,840	€ -	€ 3,816	
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
	CM-FPS-028	PARADISO	€ 6,710	\$ 8,183					€ 6,710	\$ 8,183	€ -	€ -	CLOSED
	CM-FPS-036	IBMS INSTITUTE	€ 3,500	\$ 4,321	17-Feb-2006	1-Jul-2005	31-Mar-2006		€ 3,500	\$ 4,217	€ -	€ -	CLOSED
Total FPS			€ 18,840	\$ 24,166					€ 18,840	\$ 23,182	€ -	€ -	
Procurement of Goods											€ -	€ -	
											€ -	€ -	
											€ -	€ -	
Total Procurement			€ -	\$ -					€ -	\$ -	€ -	€ -	
Total Construction M. Cluster			€ 44,137	\$ 56,209					€ 40,321	\$ 48,021	€ -	€ 3,816	

**KCBS Quarterly Report
Strategic Activities Fund (SAF)
January 2005 - September 2006**

Last Update 8-Sep-2006

Type of Award	SAF Tracking No.	Awardees	Amount Approved €	Amount Approved \$	Date Signed	Award Term		Actual Ending Date	Total Disbursed €	Total Disbursed \$	Total Remaining/Approved		Status
						Started	End				To Be Reimbursed €	Remaining Amount / activity closed €	
General Business Support													
Grants	GB-SGA-004	AKA	€ 35,712	\$ 43,551	8-Nov-2005	8-Nov-2005	7-Nov-2006		€ 4,160	\$ 5,012	€ 31,552	€ -	
	GB-SGA-005	KAMP	€ 27,233	\$ 33,211	8-Nov-2005	8-Nov-2005	7-Nov-2006		€ 20,050	\$ 25,368	€ 7,183	€ -	
	GB-SGA-006	SHPUK	€ 31,308	\$ 38,180	8-Nov-2005	8-Nov-2005	7-Nov-2006		€ 22,720	\$ 28,629	€ 8,588	€ -	
	GB-SGA-007	SCAAK	€ 12,946	\$ 15,788	18-Nov-2005	1-Dec-2005	30-Apr-2006		€ 12,053	\$ 15,187	€ -	€ 893	CLOSED
	GB-SGA-008	AWPK	€ 39,900	\$ 48,072	20-Dec-2005	20-Dec-2005	19-Dec-2005		€ 29,067	\$ 30,433	€ 10,833	€ -	
	GB-SGA-009	RCAK	€ 40,130	\$ 48,349	18-Jan-2006	18-Jan-2006	18-Jan-2007		€ 9,814	\$ 12,585	€ 30,316	€ -	
	GB-SGA-013	KDPA	€ 29,090	\$ 35,914	15-Mar-2006	15-Mar-2006	15-Mar-2007		€ 8,130	\$ 10,558	€ 20,960	€ -	
	GB-SGA-017	KCC	€ 21,500	\$ 27,215	26-May-2006	26-May-2006	26-Jul-2006		€ 3,940	\$ 5,117	€ 17,560	€ -	
	GB-SGA-020	MCI	€ 46,000	\$ 58,228	26-May-2006	10-May-2006	10-Oct-2006		€ 1,815	\$ 2,357	€ 44,185	€ -	
Total Grants			€ 283,819	\$ 348,509					€ 111,749	\$ 135,246	€ 171,177	€ 893	
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	1-Nov-2005	€ -	\$ -	€ -	€ -	TERMINATED
	GB-FPS-015	AFAS	€ 9,505	\$ 11,881	15-Jul-2005	15-Jul-2005	30-Sep-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	12-Dec-2005	€ 1,500	\$ 1,818	€ -	€ -	CLOSED
	GB-FPS-025	KBA	€ 1,500	\$ 1,852	13-Oct-2005	19-Sep-2005	14-Dec-2005	12-Dec-2005	€ 1,500	\$ 1,818	€ -	€ -	CLOSED
	GB-FPS-026	KCC	€ 3,000	\$ 3,704	14-Oct-2005	19-Sep-2005	14-Dec-2005	12-Dec-2005	€ 3,000	\$ 3,659	€ -	€ -	CLOSED
GB-FPS-027	AKB	€ 3,000	\$ 3,704	12-Oct-2005	19-Sep-2005	14-Dec-2005	12-Dec-2005	€ 3,000	\$ 3,307	€ -	€ -	CLOSED	

**KCBS Quarterly Report
Strategic Activities Fund (SAF)
January 2005 - September 2006**

Last Update 8-Sep-2006

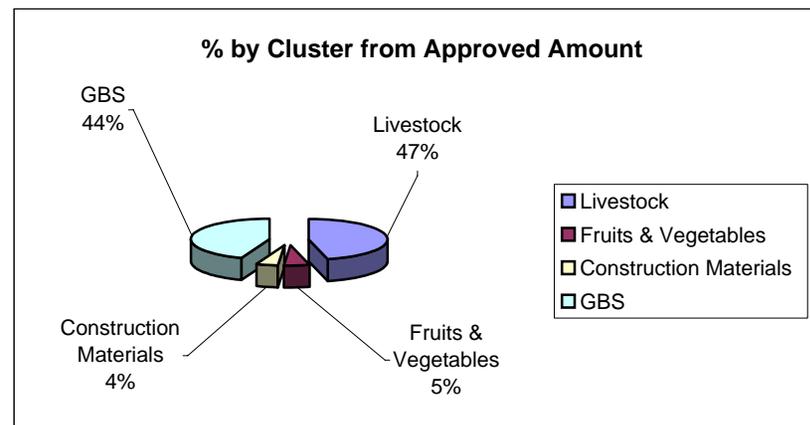
Type of Award	SAF Tracking No.	Awardees	Amount Approved €	Amount Approved \$	Date Signed	Award Term		Actual Ending Date	Total Disbursed €	Total Disbursed \$	Total Remaining/Approved		Status
						Started	End				To Be Reimbursed €	Remaining Amount / activity closed €	
	GB-FPS-034	UBO	€ 5,800	\$ 6,988	5-Jan-2006	13-Jan-2006	17-Mar-2006		€ 5,450	\$ 6,671	€ -	€ 350	CLOSED
	GB-FPS-035	AKB	€ 2,535	\$ 3,130	1-Feb-2006	10-Oct-2005	23-Nov-2005	24-Nov-2005	€ 2,535	\$ 3,130	€ -	€ -	CLOSED
	GB-FPS-039	WOMEN f. WOMEN	€ 5,390	\$ 6,573	13-Apr-2006	13-Apr-2006	30-Jun-2006		€ 5,390	\$ 6,818	€ -	€ -	CLOSED
	GB-FPS-043	MDA	€ 2,491	\$ 3,153	18-May-2006	10-May-2006	30-Jun-2006		€ 2,491	\$ 3,235	€ -	€ -	CLOSED
	GB-FPS-044	UBO	€ 29,885	\$ 37,829	22-May-2006	22-May-2006	7-Oct-2006		€ 17,931	\$ 23,287	€ 11,954	€ -	
	GB-FPS-047	MDA	€ 1,950	\$ 2,532	14-Jul-2006	17-Jul-2006	15-Sep-2006				€ 1,950	€ -	
Total FPS			€ 164,563	\$ 212,078					€ 146,009	\$ 187,440	€ 13,904	€ 4,650	
Procurement of Goods											€ -	€ -	
											€ -	€ -	
Total Procurement			€ -	\$ -					€ -	\$ -	€ -	€ -	
Total GBS Cluster			€ 448,382	\$ 560,586					€ 257,758	\$ 322,686	€ 185,081	€ 5,543	
Grand Total			€ 1,013,423	\$ 1,272,640					€ 684,863	\$ 855,713	€ 313,641	€ 14,918	

KCBS Quarterly Report Strategic Activities Fund (SAF) January 2005- September 2006

Graphic Chart Summary

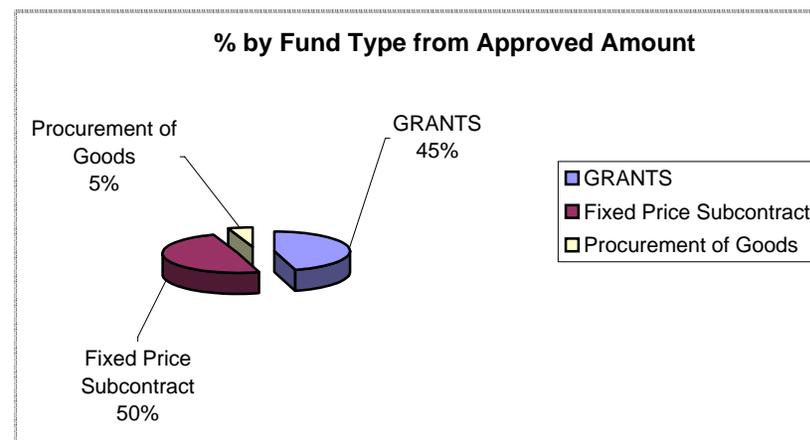
% by Cluster from Approved Amount

Livestock	€ 466,354	46.02%
Fruits & Vegetables	€ 54,550	5.38%
Construction Materials	€ 44,137	4.36%
GBS	€ 448,382	44.24%
Grand Total	€ 1,013,423	



% by Fund Type from Approved Amount

GRANTS	€ 461,071	45.50%
Fixed Price Subcontract	€ 500,155	49.35%
Procurement of Goods	€ 52,197	5.15%
Grand Total	€ 1,013,423	



**KCBS Quarterly Report
Strategic Activities Fund (SAF)
January 2005 - September 2006**

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
33	IHB X	LC - FPS - 033	Improvement of raw milk quality at milk collection centers of Devolli dairy
34	UBO	GB - FPS - 034	Finance fair impact analysis
35	AKB	GB - FPS - 035	Organizational, promotional and logistical support for the Finance Fair.
36	IBMS INSTITUTE	CM - FPS - 036	Standards for manufacturing of Concrete and Concrete elements.
37	KDC	LC - FPS - 037	Land quality improvement through soil testing.

**KCBS Quarterly Report
Strategic Activities Fund (SAF)
January 2005 - September 2006**

Fixed Price Subcontracts

No.	Name	SAF #	Description
38	HAK	LC - FPS - 038	Improvement of Pastures Management
39	WOMEN f WOMEN	GB - FPS - 039	Entrepreneurial trainings for women
40	DUKAGJINI	LC - FPS - 040	Alfalfa phase testing
41	KODAA	LC - FPS - 041	Demonstration and promotion of new technologies for maize, soya, sunflower and rape seed
42	KDC	LC - FPS - 042	Analyses of imported and locally produced animal feed and recommendations for its improvement.
43	MDA	GB - FPS - 043	Evaluation of the success of AWPk Trade Fair
44	UBO	GB - FPS - 044	SWOT Analysis of Business Support Services
45	BIOLAB	LC - FPS - 045	Milk Improvement Project
46	NEW DESIGN	LC - FPS - 046	Improvement of Labeling Designs for Dairy Products
47	MDA	GB-FPS-047	Financial Management Training for Association Leaders

**KCBS Quarterly Report
Strategic Activities Fund (SAF)
January 2005 - September 2006**

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	GB - SGA - 005	Implementation of one year strategic plan
6	SHPUK	GB - 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	GB - SGA - 008	Implementation of one year strategic plan
9	RCAK	GB - SGA - 009	Implementation of one year strategic plan
10	FAUNA	LC - SGA - 010	Genetic improvement of dairy cattle
11	WHEAT SEED CULT	LC - SGA - 011	Publishing the book on oil crops and trainings of farmers on cultivation of oil crops
12	PESTOVA	FV - SGA - 012	New potato storage technology
13	KDPA	GB - SGA - 013	Implementation of one year strategic plan
14	FRUTI	FV - SGA - 014	Application and demonstration of new orchard technologies
15	KAMP	LC - SGA - 015	Improved technology for preparation of hay
16	GRAUFI	LC - SGA - 016	Cows hoofs treatment
17	KCC	GB - SGA - 017	Furnishing the Association Development Center within the KCC with translation equipment
18	KAMP	LC - SGA - 018	Participation in the livestock fair
19	HAK	FV - SGA - 019	Publishing the manual and providing training to farmers on orchard practices
20	MCI	GB - SGA - 020	Administration of Voucher Scheme
21	Vukosavljevic Family	LC - SGA - 021	Dairy Demonstration Farm in north part of Kosovo

KOSOVO CLUSTER AND BUSINESS SUPPORT

QUARTERLY REPORT

QUARTER ENDING: 30 SEPTEMBER 2006

PROJECT PHOTOGRAPHS

Livestock Cluster



Feed Formulation for lamb and sheep



Exporting lambs to Bosnia



Proper Silage preparation



Preparing soft Sharri Cheese with sheep milk



Assisting Golaj in the Fermentation Control



Preparation for Milk Processing at Ajka

Livestock Cluster



KCBS Team takes part in the Milk Cooling System Training in Wisconsin, USA



KCBS Team visits Dairy plant – Training on milk processing



KCBS shows Good Milking Practices



Calf Hutches made a difference



Field days on improving pasture management

Fruits & Vegetables Cluster



Blueberry meeting held in Pristina: Possibilities to export blueberries from Kosovo



Practical Orchardling book promoted



Fruti Field day: New Cultivation Techniques



Blueberry collection with USAID donated rakes



Trip visit to Serbia: Grading, sorting and packing apples

Construction Materials Cluster



Fresh block being exported from Silcapor



Taking samples for quality testing



First Joint Venture Agreement signed with KCBS' help



Swedeco visits Korenica: Inspecting engineered flooring destined for the States

General Business Cluster



MDA training on financial management practices for RCAK board



KAMP and KDPA meeting with MFARD on Dairy Policies



AWPK presentation in North Mitrovica to potential members



Workshop on Tax free fuel used for agriculture



AKA Workshop on Privatization Strategy for Agricultural Land and Assets



KOSOVO CLUSTER AND BUSINESS SUPPORT

QUARTERLY REPORT

QUARTER ENDING: 30 SEPTEMBER 2006

GLOSSARY OF ACRONYMS

GLOSSARY OF ACRONYMS

[Where an acronym represents initials of Albanian words, the English translation is provided]

AAK	Alliance for Future of Kosovo
ACCA	Association of Chartered Certified Accountants (UK)
AKA	Alliance of Kosovo Agri-businesses
AVUK	Kosovo Veterinary Food Agency [same as KVFA]
AWPK	Association of Wood Processors of Kosovo
BAS/TAM	Business Advisory Services/Turnaround Management
BCC	Business Consultants Council
BiH	Bosnia and Herzegovina
BPK	Banking and Payment Authority of Kosovo
BSI	British Standards Institution
BSP	Business Service Provider
CAN	Calcium Ammonium Nitrate
CMT	California Mastitis Test
COC	Chain of Custody
CPP	Crop Plant Protection
DAP	Di-ammonium Phosphate
DCA	Development Credit Authority
DHI	Dairy Herd Improvement
EAR	European Agency for Reconstruction
EN	European Norm
EU	European Union
EWF	Engineered Wood Flooring
FSC	Forest Stewardship Council
GMP	General Manufacturing Practices
GTZ	German Society for Technical Cooperation
HACCP	Hazard Analysis Critical Control Points
HAK	Horticultural Association of Kosovo
HMA	Hot Mix Asphalt
ICCED	International Center for Community and Enterprise Development
ICMM	Independent Commission for Mines and Minerals
IFC	International Finance Corporation
IPA	Investment Promotion Agency
IPR	Intellectual Property Rights
IQF	Individually Quick Frozen
KACP	Kosovo Association of Concrete Producers
KAMP	Kosovo Association of Milk Producers
KBA	The Kosovo Banking Association
KCBS	Kosovo Cluster & Business Support
KDC	Kosovo Development Center

KDPA	Kosovo Dairy Processors Association
KEK	Kosovo Energy Corporation
KFA	Kosovo Forest Agency
KODAA	Kosovo Agricultural Input Dealer Association
KSDP	Kosovo Swiss Dairy Processing and Marketing Promotion Project
KTA	Kosovo Trust Agency
KVFA	Kosovo Veterinary Food Agency
LC	Letter of Credit
LLC	Limited Liability Company
LINK	Kosovo Association of Civil Engineers
MAFRD	Ministry of Agriculture, Forestry and Rural Development
MAP	Mono-ammonium Phosphate
MCC	Milk Collection Center
MESP	Ministry of Environment and Spatial Planning
MEM	Ministry of Energy and Mining
MM	Millions
MOU	Memorandum of Understanding
MT	Metric Tonnes
MTI	Ministry of Trade and Industry
MTPT	Ministry of Transport and Communication of Kosovo
NGO	Non-Governmental Organization
NPK	Compound Fertilizer (Nitrogen-Phosphorus-Potassium)
OEK	Chamber of Commerce of Kosovo
PPD	Private Public Dialog
QA/QC	Quality Assurance/Quality Control
RAS	Rural Advisory Services
RBKO	Raiffeisen Bank of Kosovo
RCAK	Kosovo Association of Road Constructions
RTK	Radio and Television of Kosovo
SAF	Strategic Activities Fund
SCAAK	Society of Certified Accountants and Auditors of Kosovo
SHPUK	Kosovo Poultry Producer And Feed Miller Association
SME	Small and Medium Enterprise
SOE	Socially-owned Enterprise
SOW	Scope of Work
STTA	Short-term Technical Assistant
SWOT	Strengths, Weaknesses, Opportunities and Threats
UNMIK	United Nations Interim Mission in Kosovo
USAID	United States Agency for International Development
USAPEEC	US Poultry and Egg Export Council
USDA	United States Department of Agriculture
WfW	Women for Women Association