



USAID | KOSOVO

NGA POPULLI AMERIKAN
OD AMERIČKOG NARODA

YEAR FOUR WORK PLAN

KOSOVO CLUSTER AND BUSINESS SUPPORT PROJECT



September 2007

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

YEAR FOUR WORK PLAN

OCTOBER 1, 2007 - SEPTEMBER 30, 2008

Kosovo Cluster and Business Support project: Year Four Work Plan
Contract No. AFP-I-00-03-00030-00, TO #800

This report submitted by Chemonics International Inc. / 28 September 2007

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

CONTENTS

	Page No.
1. PROGRAM DESCRIPTION	1
2. USAID's STRATEGIC OBJECTIVE SO 1.3 Accelerated Private Sector Growth	
2.1 Review of Year Three	2
2.2 Year Three Performance Summary	3
2.3 Approach in Year Four	4
3. USAID's INTERMEDIATE RESULT IR. 1.3.1 Increased Competitiveness of Targeted Clusters	
3.1 Approach to Cluster Development	6
3.2 Livestock Cluster	
3.2a Dairy – Milk Production	7
3.2b Dairy – Milk Processing	10
3.2c Meat	13
3.2d Animal Feed	16
3.2e Poultry [incl. Feed Manufacturing]	19
3.3 Fruit and Vegetables Cluster	23
3.4 Construction Materials Cluster	
3.4a Wood Processing	30
3.4b Forest Certification	33
3.4c Other Construction Materials	35
3.5 Marketing and Trade Linkages	39
4. USAID's INTERMEDIATE RESULT IR. 1.3.2 Improved Business Operating Environment	45
5. CROSS-CUTTING THEMES	55
6. PROGRAM MANAGEMENT	
6.1 Strategic Activities Fund	58
6.2 Performance Based Management System	60
6.3 Communications	63
6.4 Administration	66
 ANNEXES	 67
Annex I Cluster Schedules of Projected Results	
Annex II Preliminary Tasks/Projects identified for STTA Assignments	
Annex III Preliminary Tasks/Projects identified for SAF Funding	
Annex IV Topics for Bi Weekly E-Newsletter	
Annex V Organization Chart	
Annex VI Glossary of Acronyms	

1. PROGRAM DESCRIPTION

INTRODUCTION

This is the fourth and last annual work plan for implementation of the Kosovo Cluster and Business Support (KCBS) project. The United States Agency for International Development (USAID) awarded KCBS to Chemonics International and its consortium of implementing partners under a Privatization II Task Order on September 30, 2004. This work plan covers the period from October 1, 2007 through September 30, 2008.

PROGRAM GOALS

The goal of KCBS is to stimulate economic growth and improve employment opportunities for Kosovar citizens. The project will strengthen the competitiveness of private sector enterprises through training, technical assistance, and policy advocacy to mitigate detrimental legal and regulatory constraints to business growth.

PROGRAM COMPONENTS

KCBS will be implemented over four years and comprises two distinct but complementary components. The first component is directed toward developing and implementing a program to overcome factors known to be inhibiting economic growth and employment. USAID-financed advisors will serve as facilitators in resolving government-placed constraints to business formation and development. Assistance will also be provided to strengthen indigenous business associations, business service consultants, and business training providers so they can become established in the market, and therefore sustainable. The second component is directed toward working with and providing assistance to specific economic groupings, or clusters, and the individual enterprises that make up clusters. Three clusters have been targeted:

1. Dairy, meat, poultry, and animal feed (the livestock cluster)
2. Fruits and vegetables
3. Construction materials

These clusters were chosen because there is a significant domestic demand for their products; USAID has worked successfully with farms and firms in these clusters; and USAID has identified interest and potential leadership in the clusters.

LINKAGES TO OTHER USAID OBJECTIVES

As the KCBS results framework demonstrates, this activity comprises all of SO 1.3 and has strong linkages to other USAID strategic objectives:

1. Improved Policy and Institutional Climate for Productive Investment (SO 1.2)
2. Civil Society and Government effectiveness (SO 2.1), and
3. More Open and Responsive Government (SO 2.2)

2. USAID's STRATEGIC OBJECTIVE SO 1.3

Accelerated Private Sector Growth

2.1. Review of Year Three

In the first year's Work Plan for 2005, KCBS stated we would show tangible progress toward increased jobs, sales, and investment. KCBS would deliver accelerated private sector growth through stronger value chains, more effective associations, vibrant consulting services, and a better business environment. By the end of Year Three, we are confident that the project had been successful in achieving these qualitative results. The KCBS Program is known throughout Kosovo and is well regarded by Kosovars and other donors alike. Stakeholders understand the goals of the program, and continue to participate in the activities of KCBS; this program cannot be implemented solely by the efforts of KCBS alone. Stakeholders have bought in to the goals of the program and remain keen on ensuring their objectives and those of KCBS complement one another.

KCBS has stated that the drivers of the project are increased jobs, sales and imports substitution, and everything KCBS does aims at contributing directly to those results. As the project has progressed, USAID has asked KCBS to give more attention and support to minority regions particularly in the north of Kosovo. At the very end of Year Three KCBS proposed at USAID's request some additional projects that would stimulate employment generation in local communities where there was a continued high rate of unemployment, especially among the youth and minority populations, and where economic opportunities in minority municipalities and enclaves remain limited.

KCBS set a goal for the project that for a given activity for every dollar we spent, at least five dollars of sales would result for KCBS clients. In cases where we could not satisfy this criterion, we would not spend contract funds. In the first three years, we have spent \$15.6 million; and the increase in sales from our directly supported clients was approx. \$84.5 million. This gives a direct sales-to-expenditure ratio of 5.4:1. Furthermore our sales numbers do not capture the multiplier effect, which would improve the ratio further.

By the end of Year Three, KCBS had created 4,199 new jobs through the program, which easily exceeded our target of 3,000 jobs. Although the agreed target for the program overall is to create 5,000 new jobs, KCBS will strive to achieve an increase of 6,000 jobs by the end of the fourth year. This goal is necessarily subject to changes in the economy and the political situation that cannot be predicted. It should also be noted that one of the program's sub-objectives is to improve productive capacity; and very often this investment leads to improved productivity and fewer jobs.

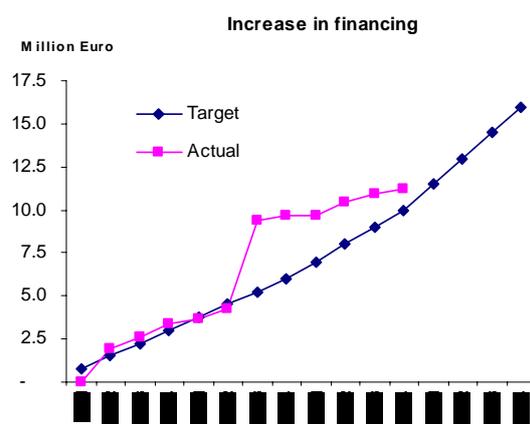
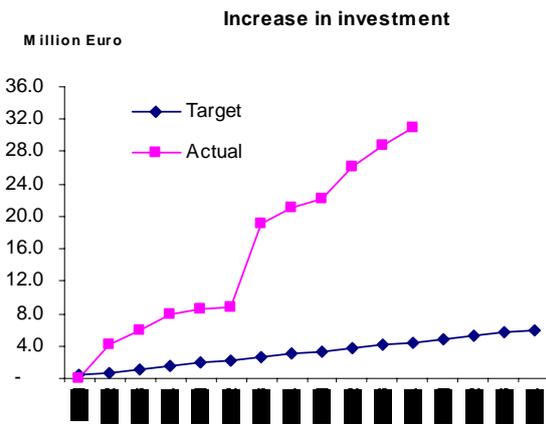
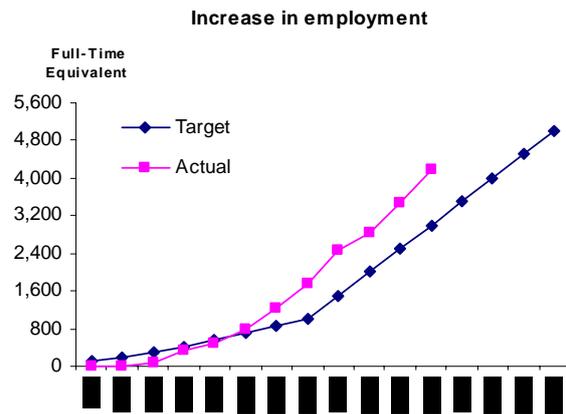
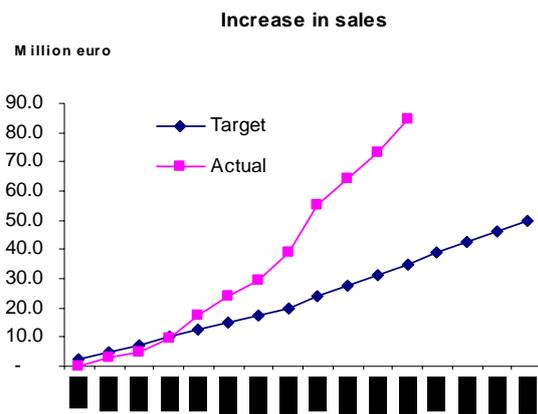
Investment by KCBS clients continued to rise. This is a reflection of greater confidence in the economy from our clients. Having received substantial technical advice in the past three years, many of them see the opportunities to be gained through improved quality of output and from market linkages that are opened with improved quality. They therefore have an incentive to invest. Interestingly, most of this investment, especially by the larger clients of KCBS is coming from self-generated funding; financing by our clients slowed substantially this year.

KCBS believes the strong improvements in sales and jobs will continue through Year Four. A major focus of the project will be to open new markets based on the initiatives taken this year, particularly in the neighboring countries of Albania and Montenegro, to maximize the improved productive capacity at our clients' plants and facilities. At the same time, in certain industries such as clay blocks and insulation materials, significant increased sales will come as a result of import substitution.

2.2 Year Three Performance Summary

Cumulative changes to date in primary indicators

	After 3 Years	
	Target	Actual
Number of companies assisted	n/a	111
Increase in sales compared to baseline– euros (in millions)	35.0	84.5
Increase in sales over baseline - %	27.4%	66.0% ¹
Increase in FTE jobs	3,000	4,199
Increase in financing – euros (in millions)	10.0	11.2
Increase in capital investment – euros (in millions)	4.5	30.9



¹ This amount represents the percentage of total sales to date over total ANNUALIZED baseline sales by companies currently in the database. Total sales to date are €12,460,336 and total annualized baseline figure for companies is €127,955,009.

2.3. Approach in Year Four

In the following sections each cluster and the business services group review the achievements of the past year and discuss the approach that they will follow in Year Four. The report specifically addresses under each section the sub-objectives of the program, both when reviewing the work of Year Three and when addressing the approach in Year Four.

These sub-objectives are:

For each of the Clusters:	Increased Productive Capacity; Improved Quality Control; Improved Market Chain Linkages; and Strengthened Capacity to Access Credit.
For General Business Support:	Strengthened Business Consulting Capacity Increased Use of Improved Business Practices Improved Policy Dialog Improved Responsiveness of Business Associations

KCBS in the last year of the program will address the fifth and final phase of cluster development, namely to plan for sustainability. To this end KCBS will concentrate on consolidating initiatives already implemented in the first three years rather than introducing several new initiatives. The overall objective will be to leave behind a strong, stable pool of skilled, market-oriented businesses and business service providers, who are familiar with, and tuned into, the past work of KCBS and who are able to continue supporting economic growth in Kosovo. Greater attention will be given to ensuring the associations with whom KCBS has worked are made effective information sources for their members and the repository of the advice and recommendations that KCBS has generated in the first three years. There will be increased cooperation and involvement with the other stakeholders, especially Kosovar institutions and donors who will still be in Kosovo after KCBS ends.

In the third year KCBS worked with a number of large former SOEs that had been recently privatized. KCBS believes continued support to these companies is vital for significant economic growth and increases in specialized employment. Furthermore, some of these companies, and other large industrial employers, suffer from regulatory constraints that are either relics from the former socialized economy, or the results of attempts by the new governing institutions to adapt too rapidly to establishing an EU oriented capitalist economy. KCBS will work with business and their representative associations to remove such constraints.

In the final year it will be more important than ever to ensure KCBS clients, to whom we have been providing technical assistance for the past three years, are prepared to meet market demands with their products. Most companies are only in the beginning stage of recognizing the value and importance of marketing. Nevertheless, KCBS hopes that its activities in year four will stimulate awareness, and some actual realization, of the benefits that improved and systematic marketing will bring. KCBS activities will include providing direct advisory assistance to clients, trainings, market linkage opportunities, access to research methodologies, launching of new products and the adoption of in-house marketing skills via qualified summer interns.

At the end of Year Three USAID asked KCBS to propose some projects that would stimulate employment generation in local communities where there was a continued high rate of unemployment, especially among the youth and minority populations, and where economic opportunities in minority municipalities and enclaves remain limited. At the time of submitting this Work Plan there had not been any confirmation of the acceptance of the KCBS proposal. The activities are therefore not described under the sections outlining our "Approach to Year Four" by the several clusters. However, since there is a distinct possibility that the modification to the contract will proceed, the proposed projects are identified in Annex 3 listing Preliminary Tasks/Projects identified for SAF Funding.

The resources brought to the project in Year Four other than the long term staff working in our field office, will continue to include short term technical advisors [STTAs]. There will be fewer international STTAs used by the project in this last year; more reliance will be placed, where appropriate, on using Kosovar and regional STTAs in furtherance of the goal of strengthening business consulting capacity. In the agricultural clusters KCBS anticipates using local STTAs, and awarding grants to local organizations, in order to consolidate the advice and trainings, and disseminate knowledge and good practices, which has been provided in the first three years. In the construction materials cluster, KCBS will employ STTAs bringing technical expertise to recently privatized former SOEs.

Projected results for each team are included in schedules developed for each cluster – see Annex I. The schedules also indicate for each result goal, the resources that KCBS will bring to the activity, and the stakeholders who will be impacted. The shaded cells indicate the month in which KCBS plan for the STTA assistance to be brought to the field.

A list of the preliminary tasks/projects identified for STTA assignments is shown in Annex II. By the end of the second quarter [March 31] of Year Three KCBS had already approved grants and subcontracts to be funded by the SAF in an amount equal to 93% of the original ceiling of \$2 million. However, in June 2007 KCBS agreed with USAID to the transfer of funds from other line item activities to the SAF, which now has a ceiling of \$2.3 million. A list of preliminary tasks/projects identified for SAF funding in Year Four is shown in Annex III.

KCBS recognizes that in striving to achieve the primary goals of the project, our activities may give opportunities to respond to USAID's cross-cutting themes of addressing minority and gender issues. A number of initiatives are already underway, and others are planned to start in Year Four. They are addressed under the respective Cluster and Business Environment sections of this Work Plan.

A Glossary of Acronyms used in this report is attached in Annex VI.

3. USAID's INTERMEDIATE RESULT - IR.1.3.1 Increased Competitiveness of Targeted Clusters

3.1 Approach to Cluster Development

KCBS's approach to cluster development has been to establish and strengthen clusters by sharing knowledge, setting and meeting quality standards, promoting and facilitating transactions, and engaging in policy dialogue. This has been done at two levels: at the client enterprise level, and at the trade association level.

At the client level, KCBS has advised companies on how to improve their productive capacity and to improve quality. Often concentrating on "champions" in the cluster, KCBS has used these companies as models for smaller companies in the cluster. The principle adopted is one of a "rising tide lifting all boats". The leaders have been used as meeting points for workshops and presentations to which smaller companies are invited.

KCBS has worked with clusters to identify new markets, develop new products, and facilitate participation at trade shows at both the client level and at the association level. We have assisted associations to set themselves up on a sustainable basis, emphasizing the need to provide services to members by which to persuade uncommitted members to become dues-paying participants in the work of the associations. KCBS has linked with USAID's World Learning program to design and support study tours, and we have followed up study tours with on-the-job training by our own specialists and by short-term technical advisors.

In each targeted cluster, KCBS has generally followed five phases of cluster development. At the end of Year Three, each of the clusters with which KCBS is working is in Phases 4 & 5 of development. In Year Four we expect our work to concentrate largely on Phase 5 of development.

Phase 1 — Carry out competitiveness diagnostics. Conduct value-chain analyses and SWOT analysis.

Phase 2 — Establish cluster working groups. Recruit cluster champions. Encourage active participation by women business owners/leaders and young entrepreneurs.

Phase 3 — Craft cluster strategies. Facilitate strategic planning sessions to define roles, develop solutions to constraints, and develop five-year strategic plans and one-year action plans to support achievement of specific business targets within the cluster.

Phase 4 — Implement cluster strategies. Operate as a coordinating point for work under way in each plan, interacting regularly with cluster leaders and monitoring progress.

Phase 5 — Plan for sustainability. Use local trainers to implement capacity-building exercises, workshops, and training. Leave behind a strong, stable pool of highly skilled, market-oriented business support service providers.

3.2 Livestock Cluster

The Livestock Cluster Team concentrates on developing four agribusiness sub-clusters. These are dairy, meat, animal feed and eggs. The approach, issues, and expected results for each sub-cluster are set out below.

3.2a Dairy Sub-Cluster – Milk Production

3.2a.1 Review of Year Three

Fueled by good milk prices and scarcity of alternative income generating opportunities, the number of dairy farms in the last three years of the KCBS project has increased sharply in Kosovo. With the goal of keeping the Kosovo dairy industry competitive, KCBS gave specialist advice to improve production efficiency and profitability among Kosovo dairy farms through changes in production practices, reproductive efficiency, milk quality and by providing better feed formulations for higher milk yield. In Year Three 645 participants attended seminars and workshops on cattle housing, milk quality improvement, feed management and livestock health management.

Improved Productive Capacity

The dairy feeding program affects productivity and profitability more than any other single factor. Through KAMP, municipal agriculture officers and convening agents, KCBS continued to disseminate generic rations which helped increase milk supplies. KCBS continued to emphasize the importance of using premixes in the daily ration. A new base mix formulated by KCBS improved production and reproduction particularly on many of the medium size dairy farms where premixes have not typically been used. Because it gave nutritional support for a stronger immune system it also improved the health of dairy cows including less mastitis, improved reproductive efficiency and better quality milk. The price of the base mix produced in Kosovo by Fauna costs 50% less than an imported base mix. Similar emphasis was put on improving forage quality and feed rations. Based on forage test results, KCBS worked with farmers to balance the feed rations to meet their cows' nutritional needs. After the intervention, milk yield increased an average of 2 liters/cow/day or 12.5%. Special feeding for one month before calving through two months after calving helped insure cows were healthy and ready to consume as much feed as possible soon after calving.

KCBS is continuing to advise milk producers that comfortable cows give more milk. Cow comfort also affects the health of feet and legs, udders and teats, eating habits, feed intake, fertility, and longevity. Features and practices that will maintain the health of the animal, boost milk production and improve milk quality, such as a good feeding program, proper records, good ventilation, good lightning and dry, clean and comfortable bed were emphasized during training.

KCBS supported a heifer-raising program to generate high quality heifers with superior genetic capabilities. KCBS monitored growth progress of calves raised in hutches compare to calves raised using conventional methods. Farmers told us that the improvements in growth and health of calves raised in hutches are obvious. At one farm the average daily weight gain of five calves raised in hutches was 0.820 kg whilst the average daily weight gain of calves raised in the traditional way was 0.470 Kg.

Improved Quality Control

KCBS drove the implementation of the MAFRD milk quality improvement program. The milk quality decree, drafted by KCBS, set quality parameters for different classes of raw milk; it introduced an incentive payment program that rewards farmers for producing and delivering high quality raw milk and provides an economic disincentive for producing low quality. KCBS motivated and helped MAFRD/KFVA set up a credible, functioning laboratory for doing chemical and bacteriological analyses of raw milk which will support the milk quality decree

and help create a sustainable Kosovo dairy industry. KCBS helped the KVFA enforce the new raw milk quality decree and assisted in resolving problems of funding, staffing and supplies to ensure continuity of the testing. KCBS held town hall style meetings with farmers to explain the benefits of meeting the quality limits and the penalties to their businesses if they fail to meet the standards. KCBS also conducted meetings with KDPA members both collectively and individually explaining how the milk quality decree will affect their dairy processing businesses.

Improved Market Chain Linkages

Including standards derived from milk quality decree, KCBS drafted a standard milk supply contract to reduce the risk of a milk producer unexpectedly losing his market. Two dairy processors, ABI dairy plant and Bylmeti dairy plant have started to use milk supply contracts when purchasing milk from farmers. Devolli is modifying their present contract to include the new pay program. KAMP & KDPA representatives are pleased with the standard milk supply contract and are encouraging all dairy processors and farmers to conclude one.

Strengthened Capacity to Access Credit

To encourage financial institutions to make loans to dairy farmers for buying small lacto-freezes ranging in size from 300 to 500 liters, KCBS drafted a letter addressed to commercial banks and MFI; in the letter are listed some of the arguments in favor of making these loans. As a result of a number of KCBS meetings with Raiffeisen Bank, the bank approved a new loan policy for dairy farmers under which farmers can apply to get loans lower than €5,000. Under the new policy the bank disbursed 88 loans of between €5,000 and €2,000 amounting €307,500.

KCBS improved and continued with dairy enterprise record keeping by introducing a Dairy Herd Improvement [DHI] pilot program. Reproduction and production records from six dairy farms enrolled in the program were monitored on a regular basis. KCBS has handed over the continuation of the DHI program to the Kosovo Center for Livestock Breeding, an EU funded project which will enroll a further 12 dairy farms in the first quarter of Year Four.

KCBS developed a simple record-keeping package for dairy farms that includes enterprise records as well as financial records that are acceptable for commercial banks and MFI. These record-keeping forms have been duplicated and disseminated to a wider constituency of dairy farms through KAMP. It is anticipated that KAMP will take an even more active role in dissemination and training next year.

3.2a.2 Approach in Year Four

Increased Productive Capacity.

Activity 1.1: Advocate for trained farmers to artificially inseminate cattle.

Currently legislation in Kosovo allows only veterinarians to artificially inseminate cattle. The MAFRD Livestock Department would like to change that to allow trained farmers to artificially inseminate their own cattle as is common in the USA and EU. KCBS plans to support this effort as it would improve reproductive efficiency in many dairy herds.

Activity 1.2: Support the further development of the dairy beef industry in Kosovo

The predominant breed of cattle in the Balkans is the Simmental breed which is a dual-purpose milk and meat breed. Approximately 50% of the dairy calves born are bulls the majority of which are slaughtered for veal or beef. Hence many of the dairy farmers in Kosovo are raising bulls for beef or at least supplying bull calves to other producers who are feeding them to finished weights. Presently many of these dairy/beef calves are sold to Serbia where they are fattened and in some instances sold back to Kosovo butcheries.

There is growing interest by a number of Kosovo farmers to fatten beef cattle locally. KCBS will use beef feeding formulations previously developed by STTA Roy Chapin to advise local

beef producers how to feed for more efficient production and will also support them with low cost barn designs for raising beef animals.

Improved Quality Control

Activity 2.1: Increase use of improved record keeping systems

KCBS plans to support KAMP in introducing the dairy farm record keeping system developed in project Year Three by KCBS and a local STTA consultant to at least 20 dairy farmers. It is projected that KAMP will hire a local consultant for up to six months to train at least one member of the farm family to properly make the data entry into either the hard copy manual entry forms or the electronic version if computer capability is available on the farm. KCBS staff will support the project with random monitoring of the participating farmer's records. This support will involve encouraging farmers to participate in the program, including information on the program in regional training sessions, etc. Good record keeping is fundamental to efficient, profitable management of a dairy herd. KCBS will also provide training on, and copies of, the accounting forms to local credit institutions, Municipal extension workers, and other interested professionals to further disseminate the record keeping system.

Activity 2.2: Introduce EurepGap farm practices on at least two dairy farms

Two dairy farms will be selected in which to begin EurepGap compliance. It is not likely that they will be able to reach full compliance during Year Four. However KCBS believes it is important to begin the process of compliance in several example farms as it will be critically important for the industry to understand what is required to meet these standards in order to apply properly for EU pre-accession funding at some future date. Compliance will involve some changes in physical structures but mostly will require improved management practices and record keeping.

Activity 2.3: Transfer good dairy farm practices training to relevant stakeholders

KCBS will make a concerted effort to transfer training skills and knowledge about good dairy farming practices to an extended group of agriculture professionals including, but not limited to, university and technical high school professors and teachers, municipal staff, extension workers, private consultants, association representatives, leader farmers and other interested professionals. To accomplish this KCBS staff will conduct 10 regional training workshops in key agricultural regions inviting individuals from all the disciplines mentioned above to participate. The many training brochures and Power Point training modules developed by KCBS in the course of the project will be made available to the participants in quantity to be used in their local training as well.

The goal is to develop a sustainable knowledge base with appropriate training skills and material in rural Kosovo. To this end the effective dissemination of KCBS-developed training materials and positive summary results of practical, new technology demonstrations and field trials will help develop this sustainable knowledge base.

3.2b Dairy Sub-Cluster – Milk Processing

3.2b.1 Review of Year Two

Improved Productive Capacity

KCBS worked at six processing plants to prepare new standardization plans for dairy products which would reduce the cost of processing and increase their profit. KCBS held a presentation workshop for KDPA on introductions to equipment and procedures necessary to improve dairy processing and product standardization. Each processing plant was losing between €37 and €187 per day through losses in fat content. By year's end, dairy plants had increased revenues by at least 10% mainly through better use of excess milk fat.

Improved Quality Control

Most of this year's work has focused on improving quality control at the dairy processors with the introduction of standards, GMP and HACCP requirements. KCBS started to implement GMP in two selected dairy plants - Bylmeti and Abi; we concluded implementation of GMP at Bylmeti where they were fully implemented, but not all aspects implemented at Abi because of some limitations in their present processing plant which they will not rectify until privatization is completed. Both plants have signed MOUs committing to partner with KCBS on introduction of HACCP requirements. A further four dairy processors signed up for GMP standards implementation in the near future. Several of them are interested in pursuing HACCP certification but are in limbo waiting for the privatization process of the SOEs they are currently leasing. Golaj is one dairy processor who is pursuing both GMP implementation and later HACCP certification. It is probable that Bylmeti will receive HACCP certification by the end of calendar year 2007, and Golaj sometime in 2008. Abi and Bylmeti agreed to increase the number of dairy products tested and frequency of testing as a part of GMP standards implementation. More testing made it possible to see the differences in the quality of final dairy products before and after GMP standards implementation.

Compliance with GMP standards requires pest control and correct preparation and use of cleaning products and supplies. KCBS facilitated training for Fauna, an existing client, in Macedonia for the purpose of qualifying the company and their staff to perform pest control services for food plants in Kosovo. Prior to this training, there was no company in Kosovo qualified to provide such services.

KCBS is assisting KVFA in improving old, basic standards of licenses for operation issued to dairy processors by KVFA. The standards need to be improved in order to increase the quality of final products, to increase food safety standards and in order to be more competitive in the market. The improved standards will assist KVFA inspectors in being more objective and efficient.

KCBS also intervened at the farm and MCC level where practical training work was done at 9 MCCs and the 154 farms supplying milk to them. These interventions contributed to improving milk quality at every farm based on total bacteria count. KCBS also strongly supported development of two MCCs in Krusha e Vogel and in Korenica, which are owned and operated by two women's associations whose members are all widows from communities destroyed in the conflict.

In furthering its goal of leaving behind a sustainable support infrastructure for the industry, KCBS sought out potential Kosovar companies to provide services/advice such as selection of dairy processing equipment and lab testing supplies and equipment, verification and calibration of testing and monitoring devices, training for dairy processing testing needs and GMP standards implementation.

The quality testing of finished food products is also an integral part of a safe food system. This testing is being done now in the Land o Lakes laboratory in Skopje. It would improve the support for the dairy industry significantly if a local laboratory could provide reliable, timely, cost effective bacterial and chemical test results on finished dairy products.

Improved Market Chain Linkages

KCBS contracted a STTA from Macedonia to help facilitate potential export sales of dairy products to Macedonia and/or Albania. An initial shipment of dairy products was made to Albania although it was evident there still remains a need to improve the quality of some products in order to increase their shelf life. A further marketing and sales opportunity study trip in Albania and Montenegro done by the KCBS MTL (Marketing and Trade Linkages) team clearly pointed out that if Kosovo wanted to export food products into these markets on a continuing and stable basis it would be necessary to establish a local warehouse where Kosovo products could be accessed easily by the local food wholesalers and retailers.

KCBS supported dairy processors in finding suppliers for improved types and designs of packaging materials for their products. Two KCBS study trips to Serbia identified a new potential supplier, ATM Company, of packaging material with design capability for preparing improved packaging of existing and new dairy products.

Abi introduced two new dairy products developed with KCBS assistance with a sales value of approximately €21,000/month. Ajka successfully launched three new cheeses in the market: Kabashi, White and Sharri. KCBS assisted Bylmeti in preparing two cream cheese samples for blind taste testing organized by the KCBS MTL team. The final cream cheese product selected has been improved and the market rollout is scheduled for October.

Strengthened Capacity to Access Credit

KCBS provided detailed information about the requirements for leasing dairy product packaging equipment. Leasing equipment is one option for processing plants to consider when preparing a business plan. All information was given to the Access to Finance team for consideration in developing a leasing product for Kosovo. KCBS has started assisting Shala and Aldi dairy processors prepare business plans with cash flow and income statement models included. Production standards from the dairy processing business have been calculated. KCBS also worked with Golaj dairy processor to help them access credit by modifying their business plan based on the processing plant changes needed to meet GMP and HACCP requirements. KCBS supported the development of accounting software for the poultry and feed industry; it is likely that it can also be used by dairy processors with minor modification. KCBS will encourage its use in the dairy processors businesses next year.

3.2b.2 Approach in Year Four

Improved Quality Control

Activity 2.1: Continue to assist in the implementation of GMP in dairy plants

KCBS Livestock team will follow up with interested dairy processors who have expressed their commitment to instilling GMP in their dairy plants by signing an MOU defining their responsibilities. Then KCBS will use local staff to assist them in implementing GMP. It is evident that the manufacturing discipline established by observing GMPs is still lacking in most of our dairy processors. While there is “head knowledge” about many of the GMP standards, practicing them on a routine, daily basis is still lacking.

The participating dairy processors will provide one key person to be the quality assurance specialist and point person for KCBS to work with. KCBS is projecting to have one dairy processor – Bylmeti - HACCP certified by the end of year 2007; and one processor, Golaj, with GMPs implemented, leading to possible HACCP certification in 2008.

Activity 2.2: Continue monitoring of the new Raw Milk Quality Decree

KCBS Livestock team in the course of their daily activities will observe whether dairy processors are following the raw milk quality decree and whether farmers are being paid according to the quality pay program. KCBS will cooperate with the MAFRD Livestock Department and KVFA in bringing violations to their attention and suggesting spot checks at selected dairy processors.

Activity 2.3: Assist one dairy processor to install wastewater treatment facility.

KCBS plans to assist one dairy processor in installing a wastewater treatment facility that would meet environmental standards as an example to others. KCBS is exploring some new environmentally sound technology in wastewater treatment that appears to be less capital intensive with a lower operating cost than more conventional systems. The project would have significant merit to Kosovo as there is a total lack of wastewater treatment in municipalities, industry or private homes in rural areas. The livestock group may solicit proposals through the SAF to support this pilot project.

Improved Market Linkages

Activity 3.1: Continue new cheese products introduction and market expansion

KCBS will continue to support demand driven, high value cheese products where the market demonstrates that local products can compete. KCBS will use market data received from previous market studies and a general dairy sector study to be conducted in Year Four by the KCBS marketing and trade linkages team as a basis for identifying new dairy product market opportunities. It also means following up on some assistance given in previous “new to Kosovo” product development to determine the success or failure of these products in each of the respective dairy processors where they were developed. Revisiting the reasons for producing the product in the first place and evaluating its degree of success or failure will contribute to an overall industry learning process. The goal is to establish a sustainable, professional market introduction mentality and model in the dairy industry with several examples.

3.2c Meat Sub-Cluster

3.2c.1 Review of Year Three

Improved Productive Capacity

KCBS supported creating two groups of local sheep breed at the Agricultural Faculty Research Farm with each group having 20 sheep. The control group was fed with traditional rations and the second group with an improved feeding program. A third group will be created with imported sheep in October 2007 [this should have taken place simultaneously with the other two, but delays in getting importation approval delayed the sheep's arrival]. The objective of the first phase of this pilot project was to see the difference in the daily weight gain of lambs and the amount of ewe's milk produced after being fed with one concentrate formulated specifically for milking ewes and another for growing lambs compared to traditional feeding programs. The first group with traditional feed had milk production for ewes of 0.5 liters per day and weight gain for lambs of 140 grams per day. The second group with improved, balanced feed rations had milk production of 0.8 liters per day and weight gain for lambs of 210 grams per day. Milk production increased by 60% and weight gain for lambs increased by 66% compared to the control group.

USAID recently approved KCBS's plan to import the new sheep breed "Lacaune" [the third group] to see the effects of this breed on milk and meat production. The sheep will be purchased in Switzerland and are due to arrive in October 2007. The "Lacaune" sheep is primarily grown for milk production, although quality of carcass and the wool gives this breed a triple purpose. The "Lacaune" breed has an average lactation length of above 150 days with average production of 400 - 600 liter of milk per lactation and a lambing rate of 150% (meaning 50% of the ewes have twins). Comparatively, the productivity of the local "Praminka" sheep breed is very low with lactation lengths of less than 150 days and milk production from 60 to 80 liter per lactation and a lambing rate of 110 to 120 %. Thus this second phase of the trials is intended to show the benefits of improved genetics in addition to improved feeding.

Improved Quality Control

KCBS assisted several slaughterhouse and meat processing companies by identifying minor or major non-conformances on their premises regarding process layout and giving recommendations for improvement. GMP standards were not implemented in any of these meat processing plants at this time. Two of the clients, meat processors Arqe & Iko from Prizren and PQS from Vushtri have the best conditions for implementing GMP first and then HACCP. Regarding slaughter plants, especially lamb slaughter plants, LGB Gjilan and EU Progres Prizren have possibilities to implement GMP considering the layout of the production process. Initially they must solve the problem of ownership and then make the investments regarding improvements to the production process.

KCBS also provided a training program and worked directly on the farms with practical training to improve sheep milk quality. KCBS prepared a brochure for sheep farmers regarding sheep milk quality improvement in both the Albanian and Serbian languages. The brochure covers the topics of how to milk sheep, how to transport milk and cooling milk after milking. The brochure was delivered to sheep farmers, departments of agriculture, and to the Kosovo Veterinary Food Agency. Also during this year KCBS has assisted farmers in improving the cheese yield and developing standard procedures for all aspects of cheese production including chemical, physical, and microbiological criteria as well as percentage of ingredients and storage time. KCBS has prepared a brochure describing the manufacturing process for three different types of Sharri cheese.

Improved Market Chain Linkages

This year KCBS facilitated the export of 450 lambs from seven sheep farmers including two sheep farmers from Serb minority farmers to Bosnia. The total value of the shipment was €25,875. During assembly of the first export truckload local TV RTK was present at the

Kaqanik assembly point and the story was broadcasted in news as a major achievement for Kosovar agriculture. Sheep farmers were very pleased to see lambs being exported and thanked USAID/KCBS for its contribution in opening a legal market for exporting lambs.

However, this export action forced private traders to be more competitive with the Bosnia trader in the purchase of lambs for export. Local traders paid between €2.2 and €2.3 per kg of live weight, and did not stipulate a maximum weight of the lambs at 23 kg. There are still not enough lambs for the regional market at present and farmers are willing to retain animals to heavier weights even for slightly lower prices per kilogram. The common understanding in the industry is that these animals were then trucked by night to Bosnia or Serbia in an effort to escape border inspection and taxes. The VAT in Bosnia is 15% and it is believed that traders are not paying this amount. The KCBS facilitated lamb export initiative is at a competitive disadvantage because Delfin and Lijanoviqi do pay all fees and taxes in both Kosovo and BiH.

KCBS has helped the sheep association in Dragash municipality that was established by FAO project in providing training brochures and sheep farmer contacts. FAO has helped the association with equipment, shearing machines, a wool-compressing machine, and a cleaning and sorting table. The association started to collect wool from farmers in Dragash, and KCBS linked the association with other sheep farmers around of Kosovo. The association may begin collecting wool from these farmers at some future date.

Strengthened Capacity to Access Credit

KCBS established a sheep farm record keeping system and introduced this system in three sheep farms in Kosovo. The system includes 18 tables, which were distributed as a printed material to all three farms. The farms were visited and helped once each month for a period of six months in order to ensure good quality data entry using these standard farm data-entry tables. KCBS organized a workshop, with 17 participants present, explaining the importance of the farm record keeping system and how to use it. Sheep record keeping promotion material was developed and given to the participants. A business plan was developed for one of the farm participants covering a three-year period. This model format will be used for other sheep farmers as well. The record keeping system has been shared with loan officers from a number of credit institutions and municipality staff.

3.2c.2 Approach in Year Four

Increased Productive Capacity.

Activity 1.1: Import purebred Lacaune sheep breeding stock and monitor research.

This is the continuation of a project planned for Year Three for which SAF funding has been committed. Final approval has been received for importation of 22 purebred Lacaune sheep from Switzerland. The lambs are being synchronized for breeding to have them about 3 months pregnant at shipment time around the end of October 2007. Upon clearing the quarantine period the sheep will be moved to the Pristina Agriculture Faculty Research Farm to be included in a production based feeding trial. Ultimately offspring from the breeding flock will be sold to local farmers to improve the genetics in their flocks.

Improved Quality Control

Activity 2.1: Assist with GMP and potentially HACCP installation

The Kosovo meat processing industry is small but is moving to improve the quantity, quality and diversity of its output. The output of local meat processors will quickly exceed volumes that can be consumed locally meaning they must export to survive. This may be a positive development, because exports should stimulate Kosovo agricultural production, employment and incomes. However, the number of export markets willing to receive products that do not meet HACCP standards is shrinking rapidly and will disappear soon. The foundation of HACCP is GMP. Good Manufacturing Practices (GMP) is a system ensuring the stable

manufacture of goods and their conformity to qualitative and quantitative standards. KCBS plans to provide some form of assistance to at least one meat plant in introducing GMP standards that could eventually lead to HACCP certification.

The actual plant and location depends on the KTA privatization process to some extent as some of the best candidates are still not privatized. In instances where a meat processor may be planning to build new facility in which to include a slaughtering line for sheep and lambs, KCBS would be most interested in helping with building layout and product flow plans to assure future EU compliance.

Improved Market Linkages

Activity 3.1: Develop the Sheep Value Chain Pilot Project

KCBS plans to develop a sheep value chain pilot project in the Prizren/Dragash area with the Sharri – Prizren dairy processor as the heart of the value chain. The company is small, but it has shown a willingness to be open to change and improvements. Areas of interest are product standardization (fat and salt), product labeling, and vacuum packaging of smaller packages of cheese. The company is willing to work closely with its set of sheep milk suppliers. It will have written supply contracts with each of their suppliers. Farmers will be encouraged to have two lambing periods at different times during the year to help establish a continuous, year around supply of sheep milk to Sharri. KCBS will focus on better feeding practices and proper milk handling practices. The pilot project will include 10 larger than average, progressive sheep farmers as the sheep milk supply source for the Sharri dairy plant. These farmers will each receive a sheep milking machine upon agreeing to the terms of an MOU requiring them to prepare proper milking and feeding facilities. They will also be required to sign a sheep milk supply contract with Sharri and follow a KCBS recommended feeding program. KCBS will assist Sharri in establishing two MCCs and in preparing a milk collection truck to transport the milk from these MCCs to the Sharri dairy plant. Further KCBS will assist Sharri in introducing a new sheep cheese product in the market. The goal is to establish an example of a high value, intensive, profitable sheep product value chain. The livestock group will solicit funding through the SAF to support this pilot project.

Activity 3.2: Monitor potential for live lamb exports

While the legal export market for live lambs failed to develop as fast as projected by KCBS in Year Three, there still may be some opportunities for exporting live lambs in Year Four. One of the positive outcomes of the KCBS intervention in this marketing activity is that it did raise the average price of lambs in the market. KCBS will continue to monitor prices and export opportunities for live lambs while supporting development of the domestic market for lambs.

3.2d Animal Feed Sub-Cluster

3.2d.1 Review of Year Three

Improved Productive Capacity

Based on previous local and regional market research KCBS determined it was important to proceed with alfalfa seed multiplication trials in 2007. Production of alfalfa for seed in Kosovo is relatively new. KCBS provided support to KODAA to establish five alfalfa test plots in two Kosovo agro-zones. KCBS helped MAFRD and a local seed cleaning company in setting up seed production schemes.

KCBS and its subcontractor HAK continued working with dairy and sheep farmers in educating them on improving pasture management. Two new test plots were established in minority areas (Leposaviq & Shterpece). The goal of these test plots was: to evaluate techniques at the farm level by focusing on increasing pasture production per unit of area; evaluating different methods of seed bed preparation and seeding; improving the feed value of the grasses; renovating pasture with improved forages; trying alternative species like Red and White Clover and grass mixtures; and evaluating different fertilization practices. Farmers began collecting and submitting soil samples for analysis which is a big step forward. The results are being used to guide farm fertility programs and improve general pasture management. HAK provided training programs to over 175 farmers in improving pasture management, and 45% of the farmers began to implement improved pasture management practices that resulted in increased milk production for them.

KCBS also assisted MAFRD in drafting regulations to improve pasture management as well as in designing long-term leases so farmers could make improvements in their leased pastures. During previous years, farmers performed only a small number of soil sample analyses; they lacked the knowledge for taking soil samples themselves and the price for soil analysis was high. To solve this problem KCBS, in coordination with the Agricultural Institute in Peja, organized four training programs to guide farmers on how to take soil samples for agrochemical analysis. KCBS also developed and published a brochure explaining methods of collecting soil samples. More than 550 brochures were delivered which resulted in increasing the number of farmers who are taking and analyzing soil samples. Due to the influence of KCBS the price per sample was reduced from €15 to a more reasonable €5. A total of 275 soil samples from 27 farmers were independently taken and analyzed at the agricultural institute in Peja, and the Agro Vet private laboratory in Fushe Kosovo. Crop producers to choose the appropriate fertilizer based on soil analysis and will result in more economical use of the fertilizer.

Improved Quality Control

KCBS continued to work with KAMP through field visits to introduce the benefits of using wrapped bales to farmers. Farmers using wrapped bales for the first time increased by 32 % (first and second cutting) from 124 to 164 farmers with 45 being the average number of bales baled. This year the climate conditions for forage preparation was not very favorable with frequent rains during the first cutting harvest time and very dry climate conditions for the second cutting. The low volume of second cutting resulted in a decreased number of wrapped bales for that cutting. KCBS recommended measures to counter the effects of the severe drought, which has resulted in animal feed shortages in many regions of Kosovo. These included: recommending early cutting of corn silage to salvage nutrients; trial Sudan grass planting in certain regions; and using straw in feed rations as an emergency feed.

KCBS provided three intensive training programs focused on minimizing harvest and storage losses, maintaining feed quality, maximizing profits, improving settings and adjustments on harvesting equipment, and proper storage of silage. As a result of these trainings more than 280 tons of a grass/alfalfa mixture of silage was produced for the first time this year. Dairy farmers who started to feed their cows with the silage have reported an increase in milk yield.

Improved Market Chain Linkages

KCBS prepared a template memorandum of understanding agreement between grain consumers and crop producers. Memoranda have been signed between grain consumers Koni-Soni, Sazli, Jazzi, and Gjini Tag and crop producers Dardania farm, Agroseme, and Triticum to purchase their products.

As a result of KCBS sponsored trials, many farmers began using newer, more productive alfalfa varieties such as *Soqa* from Seminarna company from Slovenia, *Mediana* from AgroSativa company from Italy, and *Sanditi* from Barenburg company from the Netherlands.

KCBS continued to actively utilize the media as a way of promoting the work of the KCBS program. The media was used to encourage the use of new crop varieties, fertilizers and agronomic practices. Main input suppliers provided information through RTK television about the availability of new seed, fertilizer and pesticide agriculture inputs. KCBS participated in an interview with RTK television highlighting the benefits of using new improved technology such as new hybrids, fertilizer and agronomic practices. Following a recent RTK broadcast concerning the importation of new hybrids from Pioneer/USA, KWS/Germany and BC/Croatia, input suppliers informed KCBS that their imports of new agro inputs had increased as follows: seed 14%, fertilizer 6% and pesticides 23%. Two RTK TV agricultural shows reviewed the positive results of the pasture management improvement trials organized by KCBS subcontractor HAK association, and the corn and alfalfa field trial test plots organized by KCBS subcontractor KODAA.

Strengthened Capacity to Access Credit

As in other sub-clusters of the Livestock cluster, KCBS has stressed the importance of maintaining good records of a farm's activity to enable the farmer to access credit more effectively. KCBS provided practical training to crop producers on crop record keeping practices. Good crop records begin with field maps that identify and number each parcel of land (field). Each field record includes: the crop and variety planted; method of soil preparation for planting; seeding date; seeding rate; plant protection products used including dates and amounts applied; amount and type of fertilizer used and time of application; dates and types of any tillage performed during the year; and finally harvesting dates and volumes. KCBS will assist the association KODAA encourage crop farmers to practice this type of record keeping by disseminating forms and providing advice on how to use them. Good crop records improve production efficiency; they thus engender greater confidence among loan officers that loans made to the farmer will be less risky and defaults are less likely to arise.

3.2d.2 Approach in Year Four

Increased Productive Capacity.

Activity 1.1: Follow up on third year of pasture management trials

These ongoing trials are providing practical information and training in guidance for best pasture management practices for Kosovo. In addition to the information provided from these trials KCBS has provided and continues to provide advisory assistance to MAFRD on a long term leasing program of public pastures to private parties with recommended good management practices included. Many of the practices determined as successful in the pasture trials will be included in these good management practices. Each additional year these trials continue to add credibility to the management practices being recommended. The livestock group will solicit proposals through the SAF to support this pasture improvement project in Year Four.

Activity 1.2: Follow up on second year of alfalfa seed multiplication trials

Currently the first year trials look promising. However the present drought conditions are causing a lot of stress in the alfalfa plants and most likely will negatively affect the first year seed yields. This year's harvest and the second year of these trials will help determine the

economic viability of multiplying alfalfa seed in Kosovo. The livestock group will solicit proposals through the SAF to support the alfalfa seed multiplication project trials in Year Four. The Slovenian company Seminarna is already multiplying wheat seed in Kosovo both directly and through contracts with local producers. They are interested in multiplying alfalfa seed in Kosovo also using their variety, Soqa. The Novi Sad Seed Institute from Serbia, the BC Institute from Croatia and Barenbrug Company from the Netherlands also have varieties in the trials. KCBS will continue to explore their potential interest in multiplying seed in Kosovo. Based on the interest of these organizations and positive trial results KCBS will facilitate linkages between farmer producers and the seed companies.

Improved Quality Control

Activity 2.1: Crop chemical residue analysis and awareness project

There is mounting evidence that because of years of misuse and abuse there is a buildup of chemical residues in the soils of some of the most productive agricultural areas. KCBS plans to implement a project that would test samples of soil and plant tissue taken from a number of intensively cropped areas in Kosovo to determine the degree of chemical residue present. If the results are as negative as expected, they will be used to support an awareness campaign to alert MAFRD, farm input suppliers farmers and educators to the importance of proper use of plant protection products. Ultimately it may require stricter controls on who is allowed to apply plant protection products. Only licensed service providers or trained and certified farmers for example.

Activity 2.2: Transfer crop production practices training to relevant stakeholders

KCBS Livestock Group will make a concerted effort to transfer training skills and knowledge about good dairy cropping practices to an extended group of agriculture professionals including but not limited to university and technical high school professors and teachers, municipal staff, extension workers, private consultants, association representatives, leader farmers and other interested professionals. To accomplish this KCBS staff will conduct 10 regional training workshops in key agricultural regions inviting individuals from all the disciplines mentioned above to participate. The many training brochures and Power Point training modules developed by KCBS in the course of the project will be made available to the participants in quantity to be used in their local training as well.

The goal is to develop a sustainable knowledge base with appropriate training skills and material in rural Kosovo. To this end the effective dissemination of KCBS-developed training material and positive summary results of practical, new technology demonstrations and field trials will help develop this sustainable knowledge base.

Activity 2.3 Introduce EurepGap practices for two seed producers

KCBS will introduce GHP (Good Handling Practices) at two selected seed processors. No seed processor in Kosovo is currently implementing GHP in their seed processing facilities. Seed processor GHP are globally recognized standards specifically designed for seed processors to ensure food safety. Consumers are more and more concerned with food safety and quality, as well as with the environmental and social impact of the food production and processing. It is important for seed processors to understand what is required to meet GHP standards, and their introduction at two processors will serve as a model for their implementation elsewhere after the KCBS project ends.

3.2e Poultry [incl. Feed Manufacturing] Sub-Cluster

3.2e.1 Review of Year Two

Improved Productive Capacity

In Year Three much progress was made to improve productive capacity in the poultry and animal feed industry. The first ever breeder farm (for layers) was established; a breeder farm (for broilers) was also established; 100% of pullets produced in 2007 were locally grown; 97% of egg needs were supplied through local production; and the first feed pellet line was made operational. In all these activities, KCBS involved the Kosovo Veterinary & Food Agency [KVFA] as the government institution responsible for animal health and food of animal origin. KVFA is also the regulatory body that provides import licenses for animals. KCBS also worked very closely with the association SHPUK and with the Livestock Department of MAFRD since MAFRD was very interested in this project through which they will develop administrative regulations and standards that will affect the poultry industry.

KCBS client, Gjini Tag, was awarded a grant to establish and manage the breeder farm. SHPUK selected Babolna Agraria from Hungary to supply 4,000 hens of Hy-Line breed. KCBS assisted SHPUK in preparing all necessary health certification, transit and tax documents for breeder import; KCBS also assisted Gjini Tag prepare for breeder arrival (light, ventilation, litter, number of feeders and nipples, farm disinfection) and after breeder arrival (feed formulation, feed consumption, breeder weight monitoring). The production capacity will cover 50% of Kosovo's needs for layers. KCBS STTA, Dr. Bakalli, prepared a manual for Gjini Tag that contained all the important points regarding the breeder farm and incubation and hatching of the eggs. The monitoring system was set and feed diets were changed based on the breeder requirements and based on new feed formulations developed by Dr Bakalli.

Taka purchased breeder equipment and incubators, and purchased 2,000 broiler breeders of Hubbard breed from Hungary. Taka is hatching 10,000 day-old chicks per week or 450,000 per year. SHPUK assisted Taka in organizing sales schedules with interested customers (commercial and noncommercial). Dr. Bakalli worked with Taka on weight management (feed formulations) since rooster weight is the biggest problem with broiler breeders. Dr Bakalli also prepared a manual for Taka regarding broiler breeder farm management and egg incubation and hatching.

KoniSoni installed equipment in four barns of their Gjilan facility for broiler production and will purchase day old chicks from Taka to fill the capacity of their barns - 60,000 broilers. However the problem remains that there is no functioning slaughterhouse for broilers. KoniSoni have plans to establish a slaughterhouse.

KCBS client, Jazi, was awarded a grant to establish and manage the pellet line project. KCBS provided Jazi with a computer feed formulation program and provided training in using it. Jazi has also purchased paper bags of 5,10 and 20 kg that were displayed during AKA trade fair and are to be distributed through agricultural pharmacies and input suppliers. KCBS continuously worked with the poultry and feed industry in lowering the cost of production and improving the quality of the product. In addition KCBS provided free computer programs for feed formulation.

KCBS provided advice to egg producer Maluku regarding ventilation, manure removal, installation of cages, the feed mill, and other important points. Maluku built an excellent 1,000 sq.m. barn for 16,000 layers, including space for feed production, egg grading and storage with a total investment of more than €100,000. Maluku has a contractual agreement with Ben-af to supply 50 boxes a day.

A persistent problem at Adi was to detect unproductive layers and remove them on time. KCBS and Dr. Bakalli prepared a list of criteria based on which Adi is detecting layers that are not laying and removing them from the farm. This activity has reduced overall cost by 2% to 5% depending on the age of the layers.

Improved Quality Control

KCBS continued to be very much involved in all activities regarding Avian Influenza. KCBS attended a meeting organized by KVFA to discuss the first Draft of the "Environment Management Project" in case of the Bird Flu outbreak.

KCBS assisted farmers experiencing different problems related with quality of eggs, feed, and pullets. KCBS worked with Fit Dani who received 25,000 day-old chicks from Italy. KCBS provided information for their growth and focused on vaccination and feeding procedures. Fit Dani had an outbreak of cannibalism among its pullets and the reason was that Fit Dani was varying the light schedule. Fixing the light schedule eliminated the problem. The same activity was conducted with Maluku who had received 11,000 day-old chicks from Italy. KCBS provided him with information regarding the nutrition requirements and other important points of the Isa Brown hybrid. KCBS also provided him with a recommended vaccination program and SHPUK provided him with Newcastle disease vaccines and disinfection material.

KoniSoni remain the only poultry farm that is grading and marking eggs with "KS" logo - their entire daily production of approximately 150,000 eggs daily (adding some extra from other producers) and representing 22-30% of the eggs produced in Kosovo. KCBS unsuccessfully pressed the MAFRD to start implementing their Administrative Regulation that was signed more than two years ago. The regulation specifies the grading, packing, labeling, transport and storage of eggs.

Throughout the year, KCBS pursued its goal to strengthen the poultry association SHPUK. In particular, following KCBS interventions to improve productive capacity, SHPUK organized workshops and field visits to a wide constituency including representatives from MAFRD and the Agricultural Faculty at University of Pristina.

Improved Market Chain Linkages

KCBS facilitated an agreement between Fauna and Jazi for the distribution of Jazi products, which stipulates that Jazi supplies the western half of Kosovo and Fauna supplies the eastern half.

KCBS assisted Adi in completing the documentation for proper export to the regional markets (Serbia, Montenegro, Macedonia and Albania). Adi exported 2,500 boxes to Serbia (900,000 eggs valued at €42,500) or 150% of Kosovo daily consumption.

KCBS and SHPUK (Adi, Koni-Soni, Fit Dani and Prelepnica) met with Macedonian poultry association and its three largest members. Agreement was reached whereby Macedonia will no longer dump eggs in Kosovo but there will be a coordination that will balance the needs and prices in both markets.

Strengthened Capacity to Access Credit

KCBS intervened at three poultry industry companies to improve their records keeping. In a first phase KCBS identified the most meaningful parameters and statistics from whose measurement one could most readily assess the health of the business and its performance against technical objectives e.g. mortality rates, hatchability rates, body weight development, feed consumption etc. For a second phase KCBS awarded a SAF subcontract for an Accounting Software Company to create/adapt an accounting program appropriate for KCBS clients (Jazi, Maluku, Gjini Tag) that would include all components/modules required for their operations. This will be installed at the three companies early next year.

3.2e.2 Approach in Year Four

Increased Productive Capacity.

Activity 1.1: Monitor breeder farm production practices and market impact

KCBS will continue to monitor the production performance of the egg layer breeder flock that was established in Kosovo in Year Three. Of major importance will be the impact it has on the local market for day-old chicks. This is a USAID/KCBS sponsored activity implemented through SHPUK. KCBS and SHPUK will work with the Kosovo egg producers to coordinate the sales of the day-old chicks to minimize market disruption and losses of chicks. By monitoring market prices of the domestically produced chicks and imported chicks, KCBS will be able to determine the positive economic impact of locally produced day old chicks on the layer industry.

Activity 1.2: Monitor pelleted feed production practices and market impact

KCBS will continue to monitor the production performance of the feed pellet project that was established in Kosovo in Year Three. There are two main aspects to production performance: the manufacturing process itself and then that of the animals being fed feed that has been pelleted. KCBS contracted STTA, Dr. Bakalli to monitor the pellet manufacturing process for quality and efficiency. Dr. Bakalli also provided advice on how the feed performance trials with animals should be conducted. KCBS and SHPUK will monitor feeding trials in several locations to substantiate the benefits of pellet form feed over mash form feed. These results will be used to promote the use of pellet form feed throughout the livestock and poultry industries.

Activity 1.3: Support the development of the broiler industry in Kosovo

The growing demand for fresh poultry meat in Kosovo was halted in 2006 when Avian Flu arrived in SE Europe. The only broiler operation [very small scale] was forced to close. Since then demand has recovered. A KCBS client, Koni-Soni, has rehabilitated a privatized farm for broiler production, and has sourced slaughtering equipment to install in it. Koni-Soni is committed to starting a broiler operation. The company is also waiting to see who will win the soon-to-be-privatised LGB meat plant in Gjilan; it intends to try to negotiate a slaughtering contract with the winner. A member of SHPUK, TAKA, has established a breeder farm for hatching and selling broiler chicks to small-scale farmers; it has the necessary capacity to supply Koni-Soni with chicks. KCBS is assured that Koni-Soni's developments will take place in the early months of Year Four. KCBS will support these developments through advisory services on forming a cooperative, plant layout and design, etc. In the case of an industry cooperative effort, KCBS may recommend SAF support for this project. The KCBS project will then have participated in the introduction of all the components of a complete poultry industry in Kosovo.

Improved Quality Control

Activity 2.1: Promote more extensive egg grading in the industry

KCBS with SHPUK are surveying the industry to determine the optimum time to pressure MAFRD to enforce the egg quality and grading standards that currently exist. There is not enough egg grading capacity in the industry presently to grade all the eggs produced in Kosovo and what exists is old equipment which results in more cracked and broken eggs than industry norms. The industry believes Kosovo egg consumers are not willing to pay premiums for larger eggs and thus feel they cannot justify investments in expensive egg grading equipment. Producers seem to believe they can make better financial returns by selling mixed eggs rather than graded eggs at this point. KCBS & SHPUK will cooperate in conducting some market research with Koni-Soni to determine what the real economics of egg grading are. Based on that and the ultimate need to comply with the legal standards a time schedule will be determined for implementation of grading of all eggs sold in commercial channels in Kosovo.

Strengthened Capacity to Access Credit

Activity 3.1: Increase use of improved record keeping systems

KCBS will continue to follow-up on the pilot program of introducing professional accounting systems in three poultry/feed producer clients that was begun in project year 3. After several months of use suggestions for some modification may arise. Once the newly introduced systems are working satisfactorily KCBS and SHPUK will promote their adoption by other poultry producers. This may require some introductory informational support by KCBS and will be explored to minimize the cost of operating such a system for small and medium size producers such as sharing the cost of a certified accountant to work with several producers each with a dedicated “record keeping” person identified from their staff.

3.3 Fruit and Vegetables Cluster

3.3.1 Review of Year Two

Improved Productive Capacity

In the spring of Year Two, KCBS decided its highest priority activities in the KCBS Fruits & Vegetables (F&V) Cluster should be post-harvest handling and marketing. In last year's work plan, we wrote that farmers in Kosovo were very capable of producing high-quality fruits and vegetables, but for the average farmer there was no economic motivation to increase the percentage of production meeting high quality from the currently common low percentages. The farmer was not hearing the ever-increasing shout of the market demanding higher quality with a willingness to pay for it. The most fundamental disconnect between economic expectations on the part of the farmer and the market expectations is that most F&V are not graded, sorted and packed into proper packages. KCBS's focus on improving post-harvest handling remained throughout Year Three.

The KCBS Fruits & Vegetables (F&V) Cluster devoted considerable time, resources and energy this year to strengthening the Kosovo blueberry industry, and references are found to that work throughout this review. In March a Bulletin was distributed to all domestic participants and regional buyers, discussing the then-upcoming collection season. Among other things it stated, "Europe is experiencing its warmest winter in more than a thousand years. While we can not predict the impact this will have on the yield of blueberries, which are accustomed to long cold winters under a deep snow pack, we shall presume it may not be favorable." Unusually hot temperatures in spring and summer have exacerbated the unfavorable growing conditions, with blueberry yields, and the yields of all other non-irrigated crops in Kosovo, reduced by at least half. A meeting was held of all Kosovo blueberry industry participants on 21 June 2007, which served to confirm the serious interest in collecting and exporting blueberries that was initially stimulated by KCBS in summer 2006. During the year multiple visits have been made to all collection centers and handlers/exporters. A result of this work has been that blueberries were collected from a much larger area in 2007 than they were in 2006, which helped offset reduced yields.

The Kosovo Association for Development (KAD), an NGO, has seven members that are tree fruit nurseries. A grant was approved in January to assist them by providing four water wells, five drip irrigation systems and special U-shaped plows for lifting young trees for sale as bare-root saplings. Following three months of inactivity by KAD, KCBS decided to assume control of the implementation of the grant and deduct all expenses for managing the project from the amounts to be reimbursed under the grant. Having the wells drilled proved very difficult, but adequate supplies of water were ultimately found. The drip irrigation systems have proven to be extremely effective, and the special plows are a great labor-saving device.

Two groups of farmers were assisted in forming modern (for profit, non-communist) agricultural cooperatives. Unlike an association (an NGO), members of these cooperatives will be able to buy inputs together, own land and facilities for post-harvest handling, and do marketing together, including exporting. A group of 10 in Rahavec formed Cooperative Agrovita and 20 farmers in Qyshke – Peje formed Cooperative Agro-Qyshqu.

Improved Quality Control

The Kosovo food processing industry is small but is moving to improve the quantity, quality and diversity of its output. Among the several impediments it faces is an inability to meet modern food safety standards under HACCP. HACCP certification by an internationally licensed authority is required for entry into the markets of most developed nations. As competing enterprises world-wide embrace HACCP standards, it is imperative for Kosovo food processors to do likewise or face the progressive loss of all but the most meager export opportunities.

In October KCBS launched a program to implement Good Manufacturing Practices (GMP) at agribusiness engaged in food and milk processing. GMP is the foundation of all food safety

programs and is the starting point for HACCP certification. The two participants from the F&V Cluster clients were Pestova Company in Vushtrri, a maker of potato chips, and Agroprodukt Commerce in Podujeve, a processor of mushrooms and other wild forest fruits. During the initial six months of the program, Agroprodukt implemented all phases of GMP and Pestova most of them. Another four-month duration food safety program was started in March, during which Agroprodukt completed all requirements for HACCP and passed its certification inspections. It thus became the first food processor in Kosovo to become HACCP certified. Pestova put its program on hold pending installation of a new processing line. Pestova, too, started a final four month food safety program in September, and is expected to achieve full HACCP certification by December.

The most direct path to increased incomes and employment, generated by increased prices for products, is for farmers or groups of farmers to offer their products to the market after they have been graded, sorted and packed (G/S/P) so that they are uniform or standardized. [In some cases it is not even critical for the packaging to be first class: properly graded and sorted apples and peppers can be sold in used banana boxes for higher prices than randomly packed products]. A major thrust of KCBS has been the use of cost-sharing grants to procure equipment for Grading/Sizing/Packing (G/S/P) to improve product uniformity and thereby improve sales opportunities both for domestic and export markets. Agrocompani Association in Qyshqe - Peje obtained a semi-automated potato and onion G/S/P line, for the nearly 80 hectares of crops grown by its members. Pema Association in Kovrage – Istog obtained a semi-automated apple G/S/P line that will be used for the 21 Ha of apples cultivated by its members. In Dragash, Juniperi Fructus received a wood-fueled tunnel dryer for mushrooms, blueberries and juniper berries, and a cleaning and calibrating machine for blueberries and juniper berries. Agroprodukt Commerce in Podujeve received a cleaning and calibrating machine for blueberries. Demonstrations of this new technology, using in-plant visits by other farmers to these installations, will be a feature of the F&V Cluster's work in Year Four.

Another method of improving product quality is through the use of refrigeration to preserve freshness, whether by freezing or keeping the products cold (above freezing). Again, cost-sharing grants were used. At UVB Association in Blagaje – Peje four common farm storage rooms were converted into refrigerated chambers for storing apples from harvest in the fall until early spring, by which time prices nearly double. At Scardus Company in Strpce and at As Promet Company in Leposavic, facilities have been built for handling, freezing and frozen storage of blueberries, mushrooms, and other wild forest fruits.

Improved Market Chain Linkages

The principle location of vegetable production in Kosovo is in the Dukagjini Valley, particularly around Peje. In order to create better linkages between producers and traders, KCBS initiated a pilot program by having 12 manual G/S/P tables built and distributed through traders to farmers who grow products for those traders. Data collected thus far is inconclusive about enhanced price advantages which may accrue for this effort, but all users report the tables are an amazing labor-saving (and back-saving) device, increasing the rate at which tomatoes and peppers can be packed by 50%.

To test the concept that improved packaging and labeling will improve sales volumes and prices, KCBS conducted another pilot program by providing 5,000 sturdy cardboard cartons to farmers in UVB and Pema associations of apple growers. While the study proved the cost of the apples could easily be covered by the 20% increase in price, a more important discovery was that post-harvest grading prior to winter storage had a more pronounced effect on prices than using only post-storage grading on apples that were not graded prior to storage, and that the combination of post-harvest and post-storage grading had a bigger impact on price than the use of the cartons. This vindicated the labor-intensive but worthwhile methods employed by the farmers at UVB while clearly showing the farmers at Pema that they could do much better.

KCBS conducted several initiatives to link Kosovo blueberry exporters to markets. A Bulletin was written and distributed to all domestic and regional participants. KCBS hosted another annual meeting of the domestic participants. A marketing expert was brought in to assess the industry, providing advice on product standards and markets; and KCBS hosted visits by buyers from Serbia (several groups), Canada and the Netherlands. With the advent of the ability to freeze blueberries, through KCBS's cost-sharing grants, Kosovo exporters are now able to market their products anywhere in the world. Serious sales discussions have been held between many of the exporters and new regional and international buyers. Despite the meager harvest in 2007, due to unprecedented weather, international exports in 2008 are expected to be considerable.

Strengthened Capacity to Access Credit

To assist lenders and borrowers, KCBS used a local business service provider to create cash flow models and recordkeeping forms specifically for the F&V sector. Separately, model crop budgets were created for all major and minor F&V crops grown in Kosovo. These budgets include all standard costs, average expected yields and historical average selling prices to provide anticipated average net returns.

In a joint program by USAID/World Learning and the KCBS project, staffs at three commercial banks and four MFIs recently received in-depth training in lending to agriculture. Training was conducted in two one-week sessions, the first with people having limited experience in agricultural lending and the second for people with moderate to advanced experience. In addition to classroom exercise and discussions, KCBS hosted the groups on one-day field trips to visit a farm machinery company, a vegetable farm, a feed mill and a dairy farm. In other sessions, KCBS Specialists reviewed the kinds of technical assistance the project has provided to agriculture and presented record keeping systems, budgets, cash flow models and list of contacts for future reference. All seven institutions are in the process of creating new loan products, policies and procedures. Two of the MFI, FINCA and KEP, are leading all others in implementing lending to agriculture.

Near the end of Year Three KCBS hosted a well-attended seminar for agricultural lenders from most of the financial institutions in Kosovo. During the seminar all materials developed by the project, from both the F&V and Livestock Clusters, as well as by World Learning, were presented in brief and a CD (in Albanian and English) was distributed of the materials. The array of materials is extensive. During the year the Senior Fruit & Vegetable Cluster Advisor also presented a seminar entitled "Risk Management in Agricultural Lending" eight times at many of the financial institutions in Kosovo.

3.3.2 Approach in Year Three

Overview

In Project Year Three the Fruit & Vegetable (F&V) Cluster, among other things, concluded two SAF grants begun the previous year and implemented eight new grants covering a wide range of productive investments but primarily focused on post-harvest handling and marketing. A number of F&V activities in Project Year Four will be devoted to using these new resources for training and demonstration purposes.

Increased Productive Capacity

Activity 1.1: Improve the volume and quality of greenhouse vegetable transplant production.

Many international donor agencies, including SDC, ADA, Danida, FinChurch, and LWF, have discussed with KCBS the potential for production of vegetables in greenhouses in Kosovo. Several donors have initiated projects that provide greenhouses to farmers. Unfortunately, a commonly ignored aspect of these efforts is the need for very large numbers of high quality transplants. The mass production of good transplants and the production of vegetables in

greenhouses are fundamentally different but complementary businesses. In Year Three, KCBS drew this need for mass transplants to the attention of other donors, but none were interested in funding the production. Although KCBS focused its attention on post-harvest handling and marketing last year, we still feel an obligation to prevent donor funding being wasted because the concept of a donation has not been correctly thought through. Supplying greenhouses without considering where the supply of seedlings and/or transplants is to come from is analogous to producing vegetables without considering where they are to be marketed. .

KCBS will search for an existing nursery in which to install an automatic tray seeding line for the mass production of vegetable transplants. This is absolutely new technology in Kosovo: it did not exist under any previous governments and has not yet appeared in Kosovo. The current or traditional production methodology for producing transplants requires 10 - 12 weeks to create a transplant 25 – 35 cm tall selling for €0.30 – 0.50 each. This method is inefficient, expensive, time consuming and requires an inordinate amount of space. Modern transplant production can compete with traditional cycle by producing higher quality in half the time with selling prices of €0.10 – 0.20 each. With some heating, a transplant grower should be able to produce plants year-round.

Activity 1.2: Improve the productivity of orchards

Part A: Demonstrating methods of mechanized production. In December 2006 KCBS concluded a grant to Fruti Association in Kravarice – Gjilan which resulted in their acquisition of an in-row cultivator and pneumatic pruning equipment. In both cases this technology was, and remains, new to Kosovo. Unfortunately, due to its relatively isolated location, few orchard operators outside the Gjilan area have had an opportunity to see this equipment in use. KCBS will organize two training sessions in the use of the equipment acquired under the grant by Fruti Association. In order to attract a large number of participants, one training session will be conducted in the Dukagjini area and the other in the Anamorava area. Attendees will be members of other fruit growing associations, independent orchard owners, MAFRD and specialists from other donor projects.

Part B: Introducing drip irrigation in fruit tree nurseries. KCBS has recently completed implementation of a grant through a local NGO, Kosovo Association for Development (KAD), to five fruit tree nursery owners who are all members of KAD. In all cases these nurseries received new drip irrigation systems, including pumps, elevated reservoirs, and fertilizer injection systems. This technology is relatively new to Kosovo, and under the grant, KAD was obliged to conduct four field-day training sessions, under KCBS supervision, explaining the installation, cost, use and maintenance of nursery drip irrigation systems. KCBS will ensure attendees include other fruit tree nursery owners, MAFRD and specialists from other donor projects.

Activity 1.3: Improved handling of blueberries. Most of the freezing and frozen storage facilities used by Kosovo blueberry exporters are not new. In many cases the refrigeration technology is energy-inefficient and the physical handling or production flow process includes bottlenecks. KCBS will engage a local or regional food processing refrigeration engineer to provide expert advice on improved freezing and frozen storage efficiency in conjunction with improved processing flow. Supporting this effort, KCBS will use a local BSP to help exporters determine their current product handling costs and the savings to be had by adopting the recommendations of the STTA.

Improved Quality Control

Activity 2.1: Continuing efforts in food safety

Part A: Achieving another HACCP certification. KCBS will finish its support for HACCP implementation in the first quarter. Only three KCBS clients are involved and the lone F&V client in this group is Pestova, a processor of potato chips for whom KCBS will provide an on-going concentrated effort to achieve full HACCP certification.

Part B: Introducing EurepGAP certification. To date KCBS's efforts in food safety have been directed toward food processors. The pending advent of HACCP certification at Pestova provides an opportunity to extend food safety standards down the value chain to potato farmers. Pestova is already exporting potato chips to Macedonia and Albania but would like to expand its markets further in the region. However, the company will be unable to do so because the raw materials used for production, the potatoes, are not grown according to EurepGAP standards.

In the nascent agricultural economy of Kosovo there is little economic incentive for farmers to ensure their products meet EurepGAP standards. On the other hand, if Pestova requires the farmers from which it buys potatoes to meet EurepGAP standards, then they will be motivated to do so. Similarly, the members of Agrocompani Association (most of whom are also members of the new Agro-Qyshku Cooperative) in Qyshke – Peje, who export a significant portion of their potatoes throughout the region, face similar difficulties in terms of market acceptance, and are thus similarly motivated. KCBS will assist a selected group of farmers who grow potatoes under contract for Pestova, and some of the members of Agrocompani Association, to achieve EurepGAP food safety certification.

Part C: Exposure to HACCP facilities outside Kosovo. The KCBS clients that are now deeply involved in obtaining HACCP certification did not realize the complexity of the process or the amount of capital investment that would be required until they visited similar companies that were already HACCP certified in Macedonia and Serbia. Until then it was just a theoretical discussion. As other KCBS clients express an interest in becoming HACCP certified, KCBS will arrange visits for them similar to those carried out last year to Serbian and Macedonian companies certified in the relatively recent past. These visits will enable the clients to discuss the changes to physical facilities, training of staff and organizational restructuring - all necessary as part of the re-engineering of their companies to become HACCP certified. They will also learn how new markets have been penetrated as a result.

Activity 2.2: Expand and strengthen cold chain development

Part A: Processing of frozen blueberries. Two cold chain facilities were established by KCBS through cost-sharing grants in Year Three, and a third was upgraded with technical assistance. These three are:

- the small-scale cold handling room, stationary freezing tunnel and frozen storage chamber in Strpce jointly operated by Scardus Company and Qinghat e Sharrit Cooperative;
- the cold processing room, freezing chamber and frozen storage chamber at As Promet Company in Leposavic;
- the cold rooms, freezing chamber and frozen storage chambers at Agroprodukt Commerce in Podujeve.

KCBS will conduct three training sessions in post-harvest cold chain handling at each of the facilities. Attendees will include refrigeration engineering companies, handlers, processors, traders, exporters, MAFRD and specialists from other donor projects.

Part B: Storage of apples. Four storage rooms at UVB Association in Blagaje – Peje have been converted into long-term refrigerated storage chambers for apples. KCBS will conduct two training sessions in post-harvest storage of apples and will invite attendees from growers, handlers, traders, MAFRD and specialists from other donor projects. KCBS will also monitor the changes in selling prices as apples are marketed at different periods following the harvesting season.

Part C: Pre-cooling of fresh fruit and vegetables. When fresh fruits and vegetables (FF&V) are harvested their core or pulp temperatures are too high to allow the products to remain fresh very long before decomposition (caused by naturally-occurring bacteria and fungi) makes them unsuitable for human consumption. Reducing the core temperature of the FF&V as soon after harvest as possible is the most practical way to lengthen the “shelf life” or the time until it is consumed. This is done by use of a cold chain, beginning soon after

harvest and continuing until a consumer buys the FF&V. In fact, the consumer may place the FF&V in a refrigerator at home, further extending product life.

The first step in the cold chain is pre-cooling, which is done using several refrigeration technologies, depending on the product. Pre-cooling equipment lowers the core temperature to just above freezing (1° to 4°C) as quickly as possible without freezing or drying the product. The length of time between harvest and pre-cooling depends on the post-harvest rate of respiration of the product; if it is very high, such as in strawberries or asparagus, then pre-cooling must be done very soon; if it is low, such as in cauliflower or apples. There are no pre-coolers in Kosovo. In addition, refrigeration engineers in Kosovo have no practical experience in designing them.

After the FF&V is pre-cooled it can be held short-term in a cold box for use later, or loaded into a refrigerated truck for local or distant distribution. The refrigeration units on trucks and in storage rooms are not big enough and are not configured to act as pre-coolers. Thus, pre-coolers must be integrated with storage or shipping facilities to be most effective. No place exists in Kosovo where the first two steps of an integrated FF&V cold chain, pre-cooling plus short-term cold storage, can be studied or demonstrated.

The KCBS project is working to increase the volume of local FF&V consumed domestically and exported. A significant barrier to this goal is the lack of a cold chain for FF&V, which explains why local products in local supermarkets often suffer unappealing appearance and why their condition is not acceptable upon arrival at foreign receivers. Kosovo traders, exporters and buyers for supermarket chains, or entrepreneurs who would like to become engaged in this business, would benefit from visits to cold chain facilities. It would allow them to see the future of their businesses.

KCBS will arrange a regional study tour for KCBS clients to visit cold chain facilities, especially pre-cooling facilities. The objective will be to provide tangible examples to our clients with facilities engaged directly or indirectly, or with the potential to be engaged, in the internal distribution and/or export of fresh fruits and vegetables. The goal will be not only to see what they look like and how they function, but to learn the economics of their operation and the benefits to product quality and sales.

Part D: Support first pre-cooler in Kosovo. KCBS will solicit a grant to establish a pressure (forced air) pre-cooler for fresh F&V. Grantee qualifications will include at least three years of experience in the import, export and/or distribution of fresh fruits and vegetables, and a facility having existing cool storage rooms for holding the products after they are pre-cooled. This will be the first pre-cooler in Kosovo and will become an important training and demonstration site. The grantee will have to subcontract the supply and installation of the pre-cooler. KCBS will endeavor to expose local refrigeration equipment manufacturers to manufacturers in the region with experience in design and production of such equipment. If successful, this could spawn a new product for the manufacturer to market.

Activity 2.3: Expand marketing of high quality fresh F&V through improved post-harvest handling

Multiple F&V post-harvest handling pieces of equipment and/or facilities have been established by KCBS. These include:

- a semi-manual Grading/Sizing/Packing (G/S/P) line for potatoes and onions at Agrocompani Association in Qyshke - Peje;
- a semi-manual Grading/Sizing/Packing (G/S/P) line for apples, and a building to house it, at Pema Association in Kovrage – Istog;
- a wood-fueled tunnel dryer and a cleaning and calibrating machine at Juniperi Fructus in Dragash, both of which can be used for blueberries and juniper berries;
- a blueberry cleaning and calibrating machine at Agropodukt Commerce in Podujeve; and
- manual F&V G/S/P tables provided under cost-sharing donations to producer-traders.

KCBS will hold five training sessions in post-harvest handling of fresh F&V. Attendees will include farmers, cooperative and association members, handlers, processors, traders, exporters, MAFRD and specialists from other donor projects.

Improved Market Linkages

Activity 3.1: Facilitate the domestic and international marketing of Kosovo products

Part A: Blueberries. The blueberry industry in Kosovo, resurrected through KCBS initiatives, has the physical capacity to export frozen products worldwide. Most of the exporters, however, are inadequately informed about international specifications and standards for various products and levels of quality used by the industry. And, foreign buyers are uninformed about Kosovo's production. KCBS will create two blueberry marketing publications, one for Kosovo exporters and the other for foreign buyers. An important element of this work will include having several samples of Kosovo blueberries tested in accredited European labs for anthocyanins, to corroborate their potential for the pigment extraction industry in the Far East.

Part B: Other berries. KCBS has made, and will make, significant progress in fostering new value chains for Kosovo products, especially berries. Cold chain facilities, especially those resulting in freezing, will allow products to be exported anywhere in the world. These facilities can also form the nexus for stimulating the production of new crops in Kosovo, especially cane berries such as raspberries, blackberries, and red and black currants.

Raspberries and blackberries have extremely high rates of post-harvest respiration, which leads to very rapid deterioration of quality after harvest. For export purposes, berries need to be frozen within an hour or two after harvest. Rather than planting berries and then constructing a freezing facility, as some development projects advocate, KCBS uses a more pragmatic approach with a more achievable opportunity. Berries can be planted near the existing freezing facilities, with the farmers assured that their post-harvest handling problems are already solved. To support the marketing of new berry products, KCBS will conduct a study of the international markets and marketing of berries that can be grown in Kosovo, including the varieties that best fit the environmental conditions.

Part C: Other fruits and vegetables. In Year Three KCBS helped two groups of farmers to establish modern (post-communist) for-profit agricultural cooperatives, one named Agrovita Cooperative in Rahavec and the other named Agro-Qyshku in Qyshke – Peje. To help ensure their success, KCBS will assist these two cooperatives form marketing linkages leading to a 25% increase in sales over 2006 (comparing aggregated sales of the members before and after forming the cooperatives). Linkages will be sought with local and regional supermarkets, traders and exporters.

Strengthened Capacity to Access Credit

Activity 4.1: Help farmers get loans and/or leases

In Year Three, through internal efforts and working with World Learning, KCBS developed financial expertise and analytical materials, as well as contacts with the financial community, which can be useful in KCBS' effort to expand access to credit for agricultural borrowers. In Year Four, KCBS will provide further support to loan officers at commercial banks and MFI, and provide guidance to F&V farmers, leading to at least 5 new loans or leases per quarter. This will be done by a simple grass roots method: making a F&V Specialist available at a regular time and place every week as a resource for borrowers and lenders for assembling loan packages. The package will consist of the farmers' budgets for his major crops (and comparisons with KCBS sample budgets), non-farm income sources, a simple summary of annual family income, lists of assets and liabilities, and a borrower profile describing, among other things, the use of the proceeds, farming experience and education, land owned and rented, equipment and marketing methods.

3.4a Wood Processing

3.4a.1 Review of Year Three

Engineered Wood Flooring Project

In the first quarter, the Engineered Wood Flooring [EWF] project moved into the production phase for both Korenica and Ukaj bringing a new set of challenges for both factories. The KCBS team continued to provide critical technical industry expertise, management and operations guidance. KCBS worked directly with machine operators and set-up personnel in overcoming initial technical operations and machine problems at both plants. Machines of various ages and states of wear and depreciation were brought into production and achieved output quality levels needed for this program. It became apparent that the companies' level of technical knowledge was much lower than had been originally assessed. Low levels of technical expertise and serious power disruptions compounded production problems.

The project suffered a serious and permanent setback when the LTTA Matt Anderson, who was pivotal for the project, went on to disability leave for two months through March 1, and after only one month back in Kosovo, had to return to the US for further treatment and effectively terminated his involvement with the project.

By the end of March, Korenica had manufactured one container load of unfinished beech flooring. It had been triple-inspected and met all the specification requirements that SwedeCo had demanded. The product was packed and stored ready for shipment pending receipt by Korenica of 50% payment. Neither this payment, nor a follow-on order for the second shipment materialized from SwedeCo. KCBS believe that SwedeCo was suffering from a slowdown in the US economy and a change in procurement policy from Home Depot for whom the EWF shipments were intended. After several unreturned approaches to SwedeCo, and without the personal relationship operating between Matt Anderson and SwedeCo, the KCBS project reluctantly concluded that the relationship with SwedeCo was finished. The project started to address disposing of the packaged materials and seeking out new markets.

The evaporation of the planned market concentrated minds on finding alternative markets. Korenica had proved that a highly technical product could be produced in Kosovo. KCBS prepared a review of the first unfinished beech production. Production procedures and QC/QA requirements were presented in two sessions to Korenica's crew. All personnel participated in discussions on further simplification of the production process. Improved methods were implemented and the costs of manufacture were reduced.

Korenica committed to future production of EWF for the regional and local market. KCBS advised and supported Korenica on preparing new packing design, EWF installation instructions, flooring maintenance instructions and product warranty declaration, as well as in the marketing aspect with emphasis in distribution methods and price policy considered crucial for a good marketing plan. KCBS established contacts with several local flooring traders in Kosovo with purpose of promoting EWF, which translated into direct orders for Korenica. KCBS promoted EWF at the AWPK trade fair held from 9-12 May; at promotional events facilitated and sponsored by KCBS for architects and engineers in Pristina and Prizren; and in attendance at a wood cluster B2B in Italy. Samples of EWF, along with promotional material, were provided for the marketing team's visit to Albania and Montenegro.

There has therefore been some recovery from the SwedeCo setback. At the end of June, there had been orders for 3,405 m² valued at €49,000. Though this is on nowhere near the scale that was originally anticipated, it does represent a new business opportunity to be built upon.

Other Wood Processing Activities

In Year One of the project, KCBS assisted in the formation of the trade association for wood processors, the AWPK. Since then, KCBS has supported the association's three trade fairs,

and each one has been a great improvement on the previous fair. As a result of AWPK activities, members of AWPK had exported in the first six months of 2007 wood products valued at €680,000; this compares with all of their exports in 2006 of €200,000. It is an indication that Kosovo wood industry is becoming competitive and being further developed to penetrate export markets.

KCBS worked with a number of smaller wood processors to encourage them to make elements for subsequent final processing by other Kosovo companies and wood processors abroad. KCBS provided company "Druri" with the proper sawmilling procedures, layout plan, lumber stacking procedures and other technical advice in order to increase quality of primary processing of beech logs and lumber. Druri completed installation of a Swiss band saw head rig and carriage.

3.4a.2 Approach in Year Four

Overview

The Engineered Wood Flooring [EWF] project offered opportunities for the wood processing industry in Kosovo to make advances against all four sub-objectives of the Cluster Competitiveness component of the KCBS program. Unfortunately the association with Swedeco fell apart in Year Three, and the industry lost the opportunity to lever the relationship and to improve its market linkages on a wide scale. However, much was learnt in the process of developing EWF and in making a product that met standards necessary to compete in the US and Western European markets. KCBS still has a special interest in EWF and will continue to assist Korenica and Ukaj in finding new local and regional markets.

Increased Productive Capacity.

Activity 1.1: Improve process control at wood processing company Tefik Canga.

Former SOE Tefik Canga was one of the largest wood processors in former Yugoslavia. Since privatization in 2007 the company has resumed its wood processing activities though on a smaller scale. Tefik Canga currently employs 50 people and is planning to expand their chair production with a Colonial model, which requires activating additional equipment and employing more people. They have commenced work in reactivation of two dry kilns which are planned to be used for their own purposes as well as drying lumber commercially for other processors. Tefik Canga has requested technical assistance from KCBS. KCBS's experience gained in bringing Korenica up to producing EWF according to North American standards will be beneficial to Tefik Canga. The main activities will be associated with establishing production norms using time and method study techniques; optimizing machinery layouts; removing production flow bottlenecks; optimizing outputs from each workstation; and improving material handling/accessibility.

However, before embarking on this assistance, KCBS will insist on a signed MOU setting out the roles and responsibilities of both parties. KCBS will not work "as an employee" of TC; they must provide their own supervision to participate fully in the training and technical changes. Failing that, KCBS will withdraw from the activity.

Activity 1.2: Advise on production operations at wood processing company Mobileria

Mobileria Kosova produces chairs, kitchens, and tables; it also has a sawmilling operation. They employ 58 people which is considered a large wood processor for Kosovo. Recently Mobileria bid KTA for the facility that he is currently renting; although he came in second, there is still a chance he will be the eventual winner. In the event he does regain the facility, or rapidly opens a new one, KCBS will assist Mobileria Kosova in negotiations with an Italian company with regard to exporting beech elements. KCBS initiated these negotiations and has provided technical advice regarding producing the required elements. This advice would continue in the event orders are forthcoming.

Activity 1.3: Assist wood processing company Ukaj in installing finishing line for EWF

KCBS is committed to assisting Ukaj in further work for making EWF. Ukaj does not want to start production in volume until he can offer a finished product. This was not envisaged as part of the Swedeco program for the first year – unfinished beech was required – but with the collapse of the Swedeco initiative, Ukaj is convinced the product will not market well in Europe without finishing. He is currently looking at supplier options, and in the event he proceeds with purchase, KCBS will assist with another assignment from STTA Kuo, and offer assistance from our in-house LTTAs.

Improved Market Chain Linkages

Activity 2.1: Promote Kosovo wood products in the region

In April of Year Three, SwedeCo effectively withdrew from the EWF project, and left the two manufacturers without the guaranteed market on which their investments of capital, manpower and skills development had been predicated. KCBS assisted Korenica and Ukaj to find other outlets for the product, and were surprised at the interest shown both within Kosovo and in neighboring countries. KCBS will continue to work in Year Four to develop these markets for EWF using the resources of the in-house Marketing and Trade Linkages team and visiting trade shows and B2B attendance.

KCBS will also work with the AWPK to develop a wood cluster database that will serve as a network for local and international linkages. KCBS will also cooperate with the AWPK in finding ways to engage the Kosovar Diaspora in the use and promotion of Kosovo wood products. KCBS will pursue these initiatives jointly with GTZ with whom KCBS is working to support the growth of the wood processing industry.

3.4b Forests Certification

3.4b.1 Review of Year Three

The importance and need for forest certification was stressed in last year's Work Plan. There is a growing, consumer-driven trend that all wood products sold globally are certified to have been derived from properly managed, sustained yield forests. Since there are no certified forests in Kosovo, wood processors are forced to source lumber from other countries where Chain of Custody can be confirmed, in order to comply with consumer requirements. Neighboring countries are all taking steps to have their forests certified. Croatia already has all its 22 forests certified; Bosnia has had its first four forests certified in the past year – the culmination of four years of intensive donor activity in the sector. Despite contributions from the EAR, Norwegians and Swedish aid organizations, Kosovo does not enjoy a similar intensity of effort as was donated to Bosnia.

In November 2006, KCBS accompanied key players from the MAFRD, the KFA and the public and private forest owners' associations on a study tour to Croatia. This provided the opportunity for the Kosovars to learn from the experience of the Croatian State Forestry Company in forest certification over the past five years. The study tour was followed by two field assignments by an STTA who reported his evaluation of forest management in Kosovo's publicly owned forests, and developed a Roadmap setting down the actions necessary for obtaining certification of two forests. Throughout the year, KCBS raised the importance of forest certification at the Wood Processors Trade Fair, on radio interviews and at meetings with the MAFRD. KCBS supported the MAFRD's application for additional funding for KFA's operational plan for forest protection activities. Two critical objectives of this plan were to reduce illegal logging activity and to improve forest management planning – two essential prerequisites for moving forward on forest certification. For the rest of the year KCBS provided constant encouragement and monitoring of the implementation of the operational plan.

By the end of July, field data collection and measurements in one pilot forest, "Ahishte" Kacanik of 2500 ha. were completed. Data control of field measurements, funded by the Norwegians was completed by end August, and the data sent to Sarajevo for additional evaluations. A draft of the forest's long-term management plan will be completed by end December.

3.4b.2 Approach in Year Four

KCBS will support the MAFRD and the KFA in pursuing the roadmap recommendations made by last year's STTA to move towards forest certification in Kosovo. Some of the steps to initiate the certification process involve:

- eradicating or, at least, significantly reducing illegal activities
- developing long term forest management plans for the areas considered for certification
- implementing upgraded management systems to respond to FSC requirements
- training contractors in harvesting according to certification requirements
- training key staff to become internal auditors
- training a person to lead a standard setting process and the development of a viable working group which will develop FSC national standards for Kosovo
- launching a National Working Group [NWG] for certification.

Activity 1.1: Form a National Working Group

KCBS will be proactive in the formation of the National Working Group [NWG]. Although this is a requirement of the certification process, its formation would have a particularly immediate benefit for Kosovo. There seems to be little communication between forest authorities and the local population, which can affect negatively forest management and

prevent the KFA from finding effective solutions to illegal harvesting. One of the main functions of the NWG is to prepare forest stewardship standards for Kosovo. These standards should represent the consensus of all group members. The NWG should have a balanced participation of individuals and organizations from the social, environmental and economic sector, including government. KCBS will support the activities of such a group, and strive to keep it balanced. No one group should dominate the process – least of all the government, a situation that would not be well received by a certifying body.

KCBS intends to cooperate with World Learning to conduct trainings in Kosovo in the first quarter of Year Four. The trainings will be delivered in two one-week sessions, one each in the months of October and November. The trainees will be the nominated members of the NWG, or at least a Steering Committee of that group. The trainees are expected to lead the certification process after completion of the training program. The objective of the training is to give the participants a clear understanding of the international forestry policy, with a focus on European forest policy processes, certification systems including accreditation, standard setting, the methodology of forest stewardship standards.

It is anticipated that KCBS's LTTA specialist in forest management, Hysen Shabanaj, will become the person to take the lead in the development of a national/regional certification initiative and a forest stewardship standard after KCBS program ends.

Activity 1.2: Support completion of Forest Management Plans for 10,000 ha.

Forest management plans for “Ahishte” forest will be completed by end December. The Norwegian funded teams moved in September into completing the forest management plan for 2,898 ha. of forest in Decan. This was the second pilot forest envisaged last year. However, a third forest under Ferizaj management unit, “Jezerci”, of 4,200 ha. has expressed interest to be included and every effort will be made to complete a plan for this forest by end of Year Four. If achieved, three management plans will be available covering 9,598 ha.

Activity 1.3: Advocate for greater Government support for forest development

The wood processing industry to Kosovo is one of the best-developed local industries and one with the greatest potential for growth. However, its ability to grow depends on continuing availability of local timber sources; if they have to resort to importing lumber in large quantities, the commercial advantage they currently enjoy will disappear. KCBS has commissioned a study to be completed in the first quarter of Year Four to consolidate findings and recommendations of the many previous reports and analyses of the Kosovo Forest Sector, some dating back six years, into one summary document. The study should recognize that optimum, sustainable use of the forests will involve a balance of three purposes: harvesting of technical wood for secondary domestic processing; harvesting of firewood; and providing for recreational activities. The needs for managing the forests to achieve these purposes will be identified and their costs quantified. At the same time the revenue stream arising from controlled sale of wood products of the forest, lumber and firewood, will be evaluated. KCBS intends to use the study to persuade senior levels of Government and donor organizations of the importance of the forestry sector to Kosovo's economic development and of the critical need to move to develop it immediately.

3.4c Other Construction Materials

3.4c.1 Review of Year Three

Increased Productive Capacity

KCBS continued to work with the four privatized former SOE's: Silcapor – thermally insulating concrete blocks; Tulltorja – terra cotta blocks and bricks; FAN – reinforcing steel; and the Trasing Group - aggregates, asphalt and concrete.

KCBS believes that Silcapor's purchase of "Grand Hotel" on Special Spin-Off, and its consequential investment commitments of 20 million euros over the next two years, had a negative impact on investments at the Silcapor block manufacturing plant; the planned, and much needed, investment in lime production and improvements to existing machinery was not achieved. Nevertheless, sales in period April-June were €2.4 million [c.f. €0.84 million in same period 2005, and €2.00 million in 2006]. About 10% is for export.

As a result of the elimination of 10% tax on imported raw materials – strongly advocated by KCBS with UNMIK Customs and EU Pillar IV's CAFAO office - the FAN factory increased the number of employees from 120 to 236 in total and are now working on two shifts. The factory is producing from 1,500-1,600 tons/monthly compared to 900 tons/month prior to the tax exclusion. The company has exported over 2,000 tons [€1,4 Million] since March 07.

Trasing recognized that in order to be in a competitive position they have to increase production and invest in a modern quarry, concrete and asphalt plant; the priority is the quarry operation. However, two of three partners (Clirimi and Graniti) did not have financial means to cover equally the investments. The company ended up making some minor investments in order to upgrade existing quarry the large investments are planned to take place in the 2008 construction season if the two partners find sourcing for finance.

KCBS facilitated the Joint Venture agreement between the new "Tulltorja" owners setting out the basis for future management. The company sells 100% of their production representing 8% of Kosovo market. It has outstanding requests for as much again; 60% of the Kosovo market is currently filled by imports. An STTA made a first visit to assess current production and operation systems. Weak points in production were identified. Company management developed an action plan in order to improve production and 70% of the plan was implemented. The balance of the planned investments could not be implemented due to losses incurred by increased price of Heavy Fuel Oil. The STTA will return in November for a second visit. The company is planning to purchase a second hand production line with capacity of 40,000 pieces per day, in order to increase production by 100%.

KCBS started to work with the manufacturers of polystyrene thermo insulation materials. In order to cover Kosovo market, a 100% increase in production capacity is required. KCBS met with producers and identified current obstacles and future steps to be taken in order to improve this industry. KCBS facilitated negotiations with KEK to secure power supply 24/7 and constant 220v for two of the plants (Euro Fat Company and Fetoshi). In order to provide technical and marketing support to the industry, KCBS subcontracted with a local company to create a technical package providing information on the entire range of locally manufactured products, and how to install them correctly, for promotion to buyers, students, design and construction companies and other interested parties.

The Association RCAF proposed a pilot project to recycle demolished construction materials. KCBS supported the RCAF in creating awareness at the Municipality and Central Government level of the importance of reusing waste construction materials, but it proved to be ineffective. Despite the need, municipalities were not interested to support such activity. However, some contractors such as KAG asphalt, Eskavatori and Papenberg & Adriani have started to recycle for their own purposes.

KCBS and RCAF worked with quarry industry for a year on changes to royalty fees. After detailed analyses, and several requests and proposals from the RCAF, the industry and KCBS, the ICMM and Government finally decided to decrease significantly royalty fees for

minerals in Kosovo. As a result of these decreases, production has been increased at legal quarries, and at clay blocks and bricks producers; the prices are more competitive; and the number of applications to ICMM for obtaining licenses has increased, thus contributing to a reduction in the illegal economy.

Improved Quality Control

KCBS provided technical assistance to the local concrete producers (KACP members) and for two weeks an STTA worked with quality control personnel. His presentations and reports were made available to all KACP members and the trained staff is available for technical support to the industry as a whole. The main activities covered were optimization of mix designs, information on fresh and hardened concrete test methods, concrete mix proportioning, and statistical analysis of concrete test results and introduction of the EN standards to the producers.

KCBS followed through with the private sector and government the recommendations of the STTA who assessed the asphalt industry in 2006. Moreover, this STTA indicated that if the procurement process specifies and demands EU quality standards in all its road construction tenders, there were colleagues in Germany who would be willing to invest in establishing in Kosovo a central laboratory and a Bitumen modification plant, which would provide a bitumen suitable for locally produced aggregate. Road quality will improve and be more durable. Another potential investor was interested to invest in creating a department for road planning and design. All these investments are conditional upon improvements in Government procurement procedures. This STTA had also commented during his assignment on the poor quality of aggregate and asphalt production being used at Pristina Airport. Subsequently, the construction company changed their suppliers after testing the samples from leading quarries in Kosovo and selected aggregates from KCBS client, Bejta Commerce, as having the best quality.

RCAK took the lead, with KCBS assistance, on monitoring the MTPT procurement procedures on road construction industry. MTPT tenders still do not comply with recent Government decision to use EN standards on all government contracts; its tender documentation is very poor without design, technical specifications, or classification and qualification requirements; and many tenders are awarded to non-professional and non-licensed companies. Kosovo Government did not take into consideration any of KCBS and RCAK recommendations; moreover the tendering process continued the same as in the past. RCAK registered several complaints against violation of the procurement law by MTPT; only one tender was annulled and the other RCAK complaints were not accepted by PPRC (Public Procurement Regulatory Commission) on spurious grounds. However, RCAK encouraged their members to complain if they believed there were violations and as a result there were complaints in almost all MTPT tenders. According to the PPRC, almost 60% of tenders were annulled, and re-tendered or put for review. The daily newspapers "Koha Ditore" and "Expres" published articles concerning several tender violations by MTPT. For each complaint the RCAK send a copy to the Prime Minister Office, Assembly and political leaders but there was no response. This was a disappointing outcome, and one KCBS and RCAK will continue to work to remedy in future.

Improved Market Chain Linkages

In furthering the initiative to bring potential investors to Kosovo, KCBS realized that a likely route would be through formation of Joint Ventures between international and local companies. Since knowledge of JVs is very limited amongst Kosovo entrepreneurs, KCBS followed its initial workshop held in March 2006 with a second Joint Venture Workshop in October at which there were over 70 attendees.

KCBS arranged meetings between real estate developers the ACRED Group from Czech Republic and six companies from Kosovo that are interested in real estate development. The main topics discussed were type of investments, assessment, construction and rent costs, market, administrative usage and similar.

KCBS assisted Investment Promotion Agency of Kosovo [IPAK] with technical and logistical support for three days on organization of the business activities for German delegation and local companies. The focus was investment in road industry, pre-cast concrete, design services, bitumen modification plant, and laboratory. All delegates emphasized that future investment was conditional upon EU standards being applied to their activities.

Strengthened Capacity to Access Credit

Many of KCBS's large clients in this cluster have already invested heavily in purchasing former SOEs, or in repairing conflict-related damage to their facilities. Yet the facilities' infrastructure often remains in need of further investment. KCBS worked with its clients to explore the various sources for additional financing, and assisted applicants to present their companies, and their prospects, in the most favorable light. Sources were not just limited to loans; KCBS considered leasing, joint ventures, and international investments.

3.4c.2 Approach in Year Three

Increased Productive Capacity

Activity 1.1: Improve management practices to create sustainable efficient operations

KCBS will continue working with ten existing clients manufacturing concrete and clay products, asphalt, insulation materials, and at the reinforcing steel plant of FAN. In the first quarter KCBS will work with company owners and management boards to assess current management strength and weakness. KCBS will carry out a detailed assessment of the improvements to be made at each plant, and develop an improvement plan. It is anticipated that minor investments that have been discussed in Year Three will have been made by the end of December. Implementation of improvements will take place in the second quarter; and in the third quarter, KCBS will address on-the-job management training.

A particular company, which will receive detailed assistance from KCBS, is Tulltorja, manufacturer of clay blocks. KCBS supported this newly privatized facility in Year Three by providing an STTA to assess their current production capacity and capabilities. The STTA will return in November to see how the company has followed through with his recommendations, and to assist in planning for the installation of a new production line.

KCBS will promote use of new technology in production and processing of materials by bringing machinery dealers and suppliers to visit with local companies. KCBS will encourage these suppliers to improve their services to Kosovar clients and offer them alternatives for cooperation. As a minimum, suppliers should provide, and our clients should insist on being given, reliable guarantees or warranties in products, technical assistance post-purchase, and advice in solving technological problems. Based on this information, KCBS will support our clients in developing better marketing brochures, explicit technical specifications and warranties for their products.

Improved Quality Control

Activity 2.1: Assist businesses respond to Govt. regulation regarding Heavy Fuel Oil

In the summer of 2007, KCBS and the Kosovo Chamber of Commerce [OEK] advocated strongly with the Government for a postponement of the implementation of an administrative order, which regulated the quantity of sulfur in heavy fuel oil [HFO]. On July 18, the Govt. decided to postpone the implementation of this regulation until July 2009, with the proviso that businesses using HFO must introduce filters for gas purification. KCBS will work with the big users of HFO to comply with this initial response of the Govt. but also to make proposals for alternative solutions. In the first quarter KCBS will support the establishment of a working group from OEK, RCAF, MTI, MESP and company representatives to draft proposals. The working group will present their draft proposals to other organizations for review by the end of Q3; and final proposals to the Government by the end of Year Four.

Activity 2.2: Assist Associations to improve technical services

It is very important that the construction materials associations – RCAF and KACP - improve their fee-based technical services for their clients and other stakeholders. Both associations are currently producing professional handbooks and technical brochures for distribution to their members and other stakeholders in the industry. Much of current practice in Kosovo is several years behind current concrete and asphalt manufacturing practice in Europe. The associations have engaged professional specialists, and intend to hold Workshops and Seminars to disseminate their work that is aimed at introducing Kosovar companies to the current, best European practices. Distribution of the products and holding of the workshops will all be completed in the first two quarters so that the benefits may be realized in the 2008 construction season.

Activity 2.3: Promote improved procurement practices for new road construction

KCBS will continue to work with asphalt and concrete producers, the trade associations RCAF and KACP, and the Kosovo Standardization Agency with the goal of improving procurement practices for buildings and road construction. The fundamental requirement in all government procurement is to have a bid package that is entire in itself, i.e. it consists of an explicit design and technical specifications for both materials and workmanship. KCBS will advocate with the Ministries responsible for issuing tenders, MTPT, MTI and MESP for compliance with these essentials, and will support the business community in their efforts towards the same goal.

Activity 2.4: Support KSA on adoption of the EU standards

KCBS/USAID has already donated many EU standards related to construction to the Kosovo Standardization Agency. Unfortunately, not many are prescribed in practice. In furtherance of Activity 2.3 above, KCBS will work with the Agency, and with the EAR project which shares the same goals, to ensure that procurement departments within government use the approved standards.

Improved Market Chain Linkages

Activity 3.1: Assist manufacturers of insulation materials on product promotion

KCBS will continue its assistance to three manufacturers of polystyrene insulation board “Styrofoam” - Fetoshi, Euro Fat and Kosova Plast. The material is used extensively in building construction. The goals are to promote Kosovo manufacture; to ensure design companies and purchasers use the correct technical specifications; and to ensure the product is properly handled and installed during construction. Kosovo manufacture of insulation materials offers significant opportunities for import substitution at home and for exports within the region. An ongoing subcontract with a local engineering company is unifying the technical specifications for manufacture and installation according to EN standards. The subcontractor is working with producers as well as design and construction companies to develop technical specifications and application models that will be easy to understand by stakeholders (non-technical) as well as technical professionals. The subcontractor is working with contractors that install Styrofoam to collect information from them and use it for practical demonstration of correct installation. This work will be finished by the end of December. In the following two quarters, there will be extensive marketing of the product so that maximum benefits are achieved in the 2008 construction season.

Strengthened Capacity to Access Credit

KCBS works with its many large clients in this cluster that have already invested heavily in purchasing former SOEs, or in repairing conflict-related damage to their facilities. Yet the facilities' infrastructure often remains in need of further investment. KCBS will continue to explore the various sources for additional financing, and will assist applicants to present their companies, and their prospects, in the most favorable light. Sources will not just be limited to loans; KCBS will consider leasing, joint ventures, and international investments.

3.5 Marketing and Trade Linkages

3.5.1 Review of Year Three

At the end of Year Two, KCBS recognized that one sub-objective of the program, which had not been adequately addressed in the first two years, was that of improving market chain linkages. A Marketing and Trade Linkages [MTL] team was formed. KCBS knew that demand for several of our clients' products existed, both within Kosovo and in the region. Each cluster wanted to respond to that demand. The challenge for MTL was to create awareness among potential buyers and to enable our clients to win sales.

Expand Linkages

Donor Linkages: KCBS has participated with the USDA/USAID Agricultural Committee Meeting in Serbia hosted by different implementing partners. Each two-day meeting included field visits to various agribusiness operations supported by USAID along with a several hour meeting allowing each organization to update the rest of the programs on their activities and to discuss common initiatives. KCBS used this forum to contact new buyers, distribute the KCBS Export Product list and make arrangements for linkage visits. Regional contacts were made with all USAID projects at the RCI Conference hosted in Romania in October to help promote/link potential buyers from other projects (countries) to Kosovo products. Additional assistance has been provided to RCI Washington on launching their regional sales/database agribusiness project. MTL maintained continuous contact and coordination with other key Kosovo donor-assisted related agribusiness projects including EAR's Marketing Support Project, GTZ, EU Pillar IV, Swiss Intercoop, EU IPA and SME Development Agency and EAR's Export Promotion Project.

Local Linkages: During the second quarter KCBS hosted Kosovo's first Marketing & Linkages Conference at the Pristina Grand Hotel with approximately 200 guests representing retailers, producers, processors, wholesalers, associations, Ministries, donor projects and marketing agencies. According to participants and presenters, the event successfully accomplished its four main objectives: 1) To provide a forum where producers and processors could carry on a direct dialog with retailers to learn about their supplier requirements and current market conditions in order to do business together. 2) To learn about a successful vertically integrated value chain retailer. 3) To discover new ideas from a panel discussion on integrated supply chain management. 4) To provide a setting for networking linkages to occur at all levels of the value chain.

KCBS provided numerous examples of direct linkage assistance for KCBS clients to reach both new markets for their products or partners with whom to expand their business. These included: Engineered Wood Flooring; Sharri cheese; Styrofoam insulation materials; and Serbia; and fertilizer suppliers. KCBS supported two NGO's from Mitrovica, Women Business Association from north side and Mundesia from south side in organizing a multi-media Recycling Awareness Campaign in Mitrovica, primarily directed at schoolchildren.

Regional Linkages: During the third quarter, the MTL team showed products from over a dozen KCBS clients over an 11-day period throughout 14 cities in Albania and Montenegro. KCBS held 45 individual linkage meetings with business chambers, alliances, associations, donor projects, importers, traders, retailers, processors, and producers. The primary purpose of the trip was to increase trade linkages between those KCBS clients with export capacity and buyers/markets in Albania and Montenegro. A key communication piece used for both this trip and many other MTL promotional activities is the KCBS Export Product list which was produced earlier in the year and sent out to over 100 regional contacts in the hope of linking clients to new markets.

Additional regional linkages and competitive analysis were conducted on behalf of KCBS clients interested in new suppliers by MTL at the Autumn International Fair in Zagreb and the International Agriculture Fair in Novi Sad. The Regional F&V Processors Conference in Sarajevo also provided new market information, advice on certification standards and several new linkages for food processor clients.

Results: These efforts to expand linkages did not produce immediate results. Rather, they opened opportunities for our clients that had not previously been identified. The proof of their effectiveness will be in the sales that develop in Year Four. A number of KCBS clients participated in agricultural fairs/shows in Albania in September, and others have committed to attend further B2Bs in the fall of 2007. KCBS continues to track the results, but at the time of writing very few sales have materialized.

Provide Marketing Assistance

MTL is an internal resource to facilitate KCBS clients' understanding and use of marketing. MTL was approached by both KAMP and KDPA to develop a marketing strategy to assist in solving the over production/shrinking demand problem that milk producers and processors are facing. It explained the basic steps they need to undergo in order to properly design a consumer awareness campaign which, over time, would help increase consumption of locally produced dairy products (vs. imports). A similar communication brief was also created for AKB to guide them in working with a local marketing agency to produce several brochures and a TV spot generating awareness about the harm of the informal economy.

MTL expanded awareness among KCBS clients, local retailers and local marketing agencies on in-store merchandising. An In-store Merchandising training workshop was held on two separate occasions to educate both processors and local marketing agencies on the practice of in-store promotion, shelf-display, branding and point-of-sale pieces. But low workshop attendance (ie no interest), limited or zero marketing budgets and no dedicated marketing staff will continue to challenge most local producers to successfully maximize this critical marketing component which is the most effective way to generate more product awareness.

Potato processor, Pestova, requested a personal consultation to advise them on their marketing strategy, packaging, flavor offerings and merchandising. MTL conducted a thorough evaluation of their present situation and made numerous suggestions on how to better produce, package, position and support their products. Pestova has since hired local marketing consultant and outsourced new packing design to a local agency.

Promote New Products

KCBS worked extensively with client Bylmeti to research, develop, test, and launch a new locally produced cream cheese product. Along with local consulting agency UBO, KCBS produced a relatively detailed market analysis on cream cheese consumption in Kosovo to evaluate the feasibility for launching a locally produced product. Research indicated that a growing yet small demand for the product could provide a very good opportunity for a local producer to gain market share if the cream cheese was properly designed, packaged and marketed. After several months of production, Bylmeti and also another client, Abi, both produced different varieties of cream cheese to be tested before final mass production and roll-out. KCBS prepared a detailed blind taste-testing methodology to be implemented jointly by a dairy processor, a local consultant, UBO, and KCBS at three different retailers.

KCBS also developed a consumer intercept survey for the Kosovo market to collect data on the perception, purchase and usage of sheep milk products (specifically Sharri cheese) among 200 qualified shoppers in Pristina. Initial results show that customers are presently happy with the large plastic containers verses a smaller, vacuum package which would have to charge a slight premium price. Unfortunately, a majority of Pristina shoppers believe the Sharri cheese brand to be made from cows' milk versus the original sheep milk (which has to be sold at a higher price due to collection and production costs). This data will be taken into account in organizing technical assistance for processors and will direct marketing efforts and specific packaging improvements towards the more receptive Prizren market.

KCBS assisted Proad Company in producing several proto-type models of a utility kitchen cart that included both an artificial granite top along with several different wooden 'butcher block' variations. Although originally designed for the US market, Proad had already secured several hundred regional orders for the product and developed their own promotional brochure. Feedback from the US supplier to Home Depot indicated that

although the wooden top was very well done and professional (and they might consider other wood based products in the future), the metalwork did not meet up to US market specifications. They provided a detailed list of design improvements that were communicated to the local manufacturer to improve their product and hopefully enable them to continue to market and produce the cart to meet regional demand.

3.5.2 Approach in Year Four

Overview

Many Kosovo producers continue to suffer from the socialist mentality of focusing exclusively on production and hoping/assuming that the products will sell themselves regardless of quality. KCBS will ensure our clients are prepared to meet market demands with their products. KCBS will provide direct advisory assistance to clients, trainings, market linkage opportunities, access to research methodologies, launching of new products and the adoption of in-house marketing skills via qualified summer interns. KCBS will target its efforts towards assisting our clients to better promote their products by addressing proper techniques for in-store merchandising, trade show assistance, improved promotional materials, packaging enhancements and product presentations. However, all these interventions will only be successful if the Kosovo clients themselves respond with enthusiasm and commitment; based on our experience in Year Three this should not be a natural assumption.

Expand Linkages

Activity 1.1: Trade linkages promotion trip to Serbia and Macedonia

MTL's plan is to finish with the first "circle" of regional marketing by promoting KCBS client products in Macedonia and Serbia, and in this way completely cover Kosovo's closest neighbors. The objective will be to meet the most important importers, wholesalers, distributors, and retailer's trade associations; to create awareness among potential buyers about Kosovo made products; and to conduct a competitive market analysis.

However, in view of the lukewarm, follow-up response from clients whose products were promoted on the Albania-Montenegro trip last June, KCBS intends to hold a stakeholders meeting in December at which the objectives for a trip to Serbia and Macedonia will be presented. KCBS will stress the benefits that could result provided the commitment to contribute to the planning, and to follow through with leads and opportunities identified, is made by the clients. Depending on the response at the stakeholders' meeting, KCBS will decide whether to proceed or not.

If the trip is decided, an important part of pre-trip preparation will be to conduct market research for certain categories of the products in targeted markets. Before we start to invest time and efforts in promotion we will compare Kosovo made products with local or imported products of same or similar type. We need to know price, labeling requirements, packaging, import or export duties and many other details which influence successful export.

Targeted cities of Macedonia will include Skopje, Tetovo, Gostivar, Debar, Struga and Ohrid. Target areas of Serbia will be Bujanovac, Preshevo, Medvedja, Vranje, Novi Pazar and Belgrade. In order to provide information for potential partners to meet, KCBS will cooperate with different partners and organizations, local chambers of commerce and donor organizations. Preparation for the trip can start parallel with other MTL activities from the beginning of October 2007 and actual trip can take place in February 2008.

Activity 1.2: Sponsor a second marketing and linkages conference

KCBS will organize and host a second annual Marketing & Linkages Conference sometime during the second quarter of Year Four. Applying lessons learned from the first event, KCBS will create a 1-day event bringing together retailers, producers, processors, wholesalers, and associations from both the F&V and Livestock clusters. Other important stakeholders that will be in attendance will include Ministry officials, donor projects and marketing agencies.

Although dedicated efforts need to be paid towards facilitating more local linkages throughout the value chain, one difference in this year's event will be an expanded invitation list to include many more regional traders and retailers.

The conference will be designed to cover these objectives:

1. Provide a forum where producers and processors can carry on a direct dialog with retailers to learn about changing market conditions and their supplier requirements to do business together.
2. Discuss/analyse successful regional retailer/supplier models and value linkage chains.
3. Learn about new methods (technologies) to improve business operations including food safety, category management, merchandising, contracting, packaging, pricing strategies, and consumer/market research.
4. Provide a setting for networking linkages to occur at all levels of the value chain.

Activity 1.3: Cross-border promotion event with EDEM in Albania

Despite geographic and cultural proximities, trade with Albania remains minimal compared to its potential for both sides. This fact was repetitively reinforced throughout the Linkages trip where meeting after meeting potential buyers indicated they had no idea such products were being produced in Kosovo.

MTL team had intended to coordinate with the USAID EDEM project in Albania to co-host a cross-border B2B event around November in Year Four. However, the EDEM project reported a very low level of interest from their clients and at the time of writing it appears that such a B2B will be postponed. Nevertheless, trade with Albania is such a natural linkage for Kosovo that KCBS will continue to work with EDEM and try to coordinate for a B2B next spring.

As with most B2B events, the simple objective and measured outcome will be to generate increased linkages and sales. It will be necessary for both projects to invite key European buyers to attend along with key companies dealing in transportation and packaging logistics, which consistently challenge most businesses interested in trade. Customs officials from both governments will also be invited. Company profiles and display tables and scheduled meetings will be arranged prior to the event. There will be general presentations on subjects such as customs and transportation and many opportunities provided for open networking sessions.

Provide Marketing Assistance

Activity 2.1: Assess Kosovo-wide demand for locally produced dairy products

The local dairy industry is at a disadvantage in capitalizing upon the sales opportunity due to lack of specific information about consumption of dairy products overall, and the dairy segments preferred by Kosovars. A more robust understanding of local consumption patterns will help many KCBS clients (and others) make better business and marketing decisions. Marketing programs need to be effective from "Day One". Moreover, the retailer power in Kosovo is increasing exponentially. Local dairy marketers need to display a superior knowledge of consumer attitudes and behavior to enable them to gain and hold distribution and to improve current products and launch new ones.

Therefore, KCBS will conduct a comprehensive overview of the dairy consumption patterns in Kosovo. Survey details, methodologies and parameters will be scoped out in contract with a local BSP, expected to last approximately 3 months. Tangible outcomes would include:

1. Help position both Bylmeti's and Abi's cream cheese in the market place.
2. Help determine what type of sheep cheese Sharri should plan on producing as they develop their business.
3. Share data with Kabi and Rona as they attempt to rationalize their product lines.
4. Share data with KDPA for their use with any of their members that may be interested.

This information will empower all local processors (and producers) to better meet current and future market demands for dairy products.

Activity 2.2: Launch Marketing Internship Program

Over the past year it has become obvious that the majority of Kosovo companies do not have an understanding of the need to invest in marketing. However, through direct assistance in this area many KCBS clients have started to recognize the value and benefits of making such investments. As the market environment becomes increasingly competitive, companies are realizing that they must improve the way they connect with their consumers and promote their products (packaging, merchandising, advertising, sales).

KCBS intends to launch a marketing internship program in the summer of 2008 linking 10 willing, and qualified, KCBS clients to 3rd/4th year marketing and advertising students from several leading academic institutions. This pilot project will then be turned over to the Kosovo Chamber of Commerce to run and expand in future years. Such a program will deliver upon a number of crucial objectives including:

1. stimulate local workforce development and increase employment opportunities.
2. begin filling long-term needs for creating a qualified pool of young local marketing professionals.
3. provide on-the-job training for students with local companies who will receive needed and valuable marketing assistance.
4. demonstrate to local businesses first-hand the benefits for retaining in-house marketing expertise to better understand their competitive marketplace and consequently better promote their products.

At present, AUK and UBT have committed to working with their programs and students to promote and integrate the needs of this internship into their curriculum (both teaching material and internship credit). Additionally the KCBS/MTL leader has accepted a pro-bono teaching position at AUK in the Fall to better guide 3rd year students in Advertising Principles to ensure they have the skills and capacity to assist the companies during their internship.

Promote New Products

Activity 3.1: Promote launch cream cheese product for Bylmeti

In Year Three KCBS assisted client Bylmeti to market research, formulate, and taste test his new cream cheese product, and to launch a marketing plan, packaging design guidelines, and introductory meetings with several local marketing firms. After a delay due to HACCP certification, Bylmeti will return to the launch phase and begin implementing previously designed recommendations on new packaging and design and to create additional in-store marketing and merchandising support for the new product. KCBS will continue to leverage its retailer connections and advise Bylmeti on whatever marketing assistance may be required to make sure Kosovo's first locally produced cream cheese product can begin to take market share away from imports. If Bylmeti executes a successful domestic new product launch, KCBS will attempt to link the products in Albania.

Activity 3.2: Prepare KCBS clients for effective presentation of products

Throughout Year Four a series of activities will be accessible to all KCBS clients specifically designed to assist them in better promoting their products both locally and regionally. Each measurable result will depend upon which clients eventually participate in the activity but the overall desired outcome will be to maximize client reach and learning impact, and eventually increased sales. KCBS will assist with trade shows, brochure design, packaging design workshop and product presentations.

Trade Shows: MTL will work with several KCBS clients within the Dairy sector to identify the most beneficial trade shows to visit for competitive purposes and present their products to potential new buyers. MTL will serve as an advisor with regard to booth preparation, promotional materials and networking strategies.

Brochure Design: In making preparations for the Albania/Montenegro linkage trip, it became immediately evident that our clients still need assistance in designing better multi-lingual brochures that represent their products and provide contact information. MTL will continue to build a reference list of qualified local designers for each interested KCBS client along with advising them on developing a communications strategy, key message, positioning statement and suggestions on format and photos to use. Marketing interns will also be able to assist in this area.

Packaging Design Workshop: Kosovar companies from all sectors need assistance in designing better packaging to preserve/promote their products and defend market share from foreign competition. MTL will host a fee-based packaging and design workshop that will target the top qualified agencies/designers in Kosovo along with all KCBS food clients interested in learning more about the business side of design and current packaging techniques. KCBS will organize separate break-out sessions: one for the agencies will discuss specific techniques, latest software, tips on adapting design for different surfaces and space limitations; and the other for KCBS clients will stress the importance of innovation and branding through packaging, reveal business case studies on increasing business sales and provide tips on sourcing, budgeting and operating new packaging lines. Based on case studies, the workshop would show how investment in better design, labeling, and packaging can improve competitiveness, open up new export markets, and have a real impact on the bottom line. A closing session will afford both parties the opportunity to interact with one another to make linkages for future packing and design assistance. Training assistance will most likely come from design agencies/consultants located in Serbia.

Product Presentations: Similar to the events held in Year Three promoting Korenica's EWF to a very targeted audience of buyers, KCBS will organize several of these events to benefit 'competing' clients from both F&V and Livestock cluster. Depending on new product launches KCBS could support a multi-client cream cheese tasting event, or Sharr cheese product, and a F&V produce session to key retailer and market buyers.

Activity 3.3: Renewed involvement in Decorative Stone

The point person at the Investment Promotion Agency of Kosovo, to whom KCBS communicated the background, site locations and potential leads regarding dimensional and decorative stone, has left the Agency. KCBS has been disappointed in the response of the IPAK in following leads for development of this opportunity; at the same time KCBS continues to receive many inquiries as a result of its initial involvement in promoting the product. In Year Four, KCBS will renew its efforts to attract investors. KCBS recently assisted in shipping a container of stone from the Gllareva quarries to the US where a member of the Diaspora is testing the market's interest in such stone. He will also display the stone at a major Las Vegas show in October, and is currently searching for a potential Kosovar joint venture partner. KCBS will ensure contact with this lead is maintained. KCBS will also follow up on the lead of last year from a Hungarian importer, and address the concerns that he initially expressed but which were never satisfactorily addressed by the IPAK.

4. USAID's INTERMEDIATE RESULT - IR.1.3.2 Improved Business Operating Environment

4.1 Review of Year Three

4.1.1 Improved Policy Dialog

OEK Business Club: KCBS staff, many of our clients and associations, including AWPK, RCAF, BCC, KDPA, AKA, SHPUK, have attended the meetings of the Business Club hosted by OEK. Fiscal policies remain at the heart of this series of informal discussions and the main concern of business community. The need to advocate for favorable fiscal policies has brought business organizations together on a number of occasions.

MTI Industry Roundtable: KCBS attended meetings of the MTI industry roundtable, an advisory body to the MTI composed of government agencies, private sector representatives and donors. One meeting focused on strategic priorities of MTI to be incorporated under the Development Strategy for Kosovo. Businesses complained that their concerns were going unheard and that the relevant institutions such as MEF and Customs Service were not present in the meeting. The next meeting focused on quality infrastructure issues; KCBS advocated for a higher participation of private sector representatives in similar events and stressed the role of private sector in standards development, implementation and supervision.

KCBS-sponsored associations attended the conference "The Application of International and European Technical Standards for Kosovo", organized by the MTI and EAR/MSTQ Project. The conference provided an opportunity for government officials and businesses to share views on the application of EU and international technical standards for the purpose of increasing the quality, marketability and acceptance of Kosovo products and services into the EU and regional markets.

Improving Market Intelligence: To improve the communication channels between the associations and Statistical Office of Kosovo [SOK], KCBS hosted a joint meeting of industry associations, SOK, EAR and IMF statistical experts. The purpose of the meeting was to discuss the importance of industry data collection, and the need for private – public partnership in this process.

4.1.2 Improved Responsiveness of Business Associations

General: KCBS's goal is to develop sustainable associations, which will provide valuable services for their members, such as: business development skills, technical information, and consolidated procurement to members, policy advocacy and participation in policy negotiations, networking and information. Emphasis has been placed on training, institution building and financial self-sufficiency.

KCBS accompanied KAMP, SHPUK, KDPA and AKA representatives to a business visit in Macedonia in order to work on promotion, exchange of information and joint investment of Kosovo and Macedonian agribusinesses. More than 40 agribusinesses from Kosovo attended this event organized by the Agro Berza Company from Macedonia in conjunction with Kosovo Chamber of Commerce (KCC). Presentations were given on subjects of common interest such as implementation of the Free Trade Agreement, Quality Standards and joint investment initiatives. More than 70 agribusinesses from Macedonia attended the B2B following the presentations.

Product Development by Associations: KCBS worked with all KCBS sponsored associations to develop profitable products and programs. An STTA, Joan Perrin, held a joint workshop on the basics of product development, at least two one-on-one mentoring sessions per association, and a joint final meeting to review the progress made by each association. Associations identified one profitable product/program that was later included in their work plan for 2007.

The following review of Association activities lists the associations in alphabetical order:

AKA: KCBS supported the AKA agricultural fair on March 29-31. 52 companies from Kosovo and region participated as exhibitors. Compared to previous fairs, this event marked progress; there was broader representation from agricultural companies and a many more visitors, all of whom seemed pleased with the quality of exhibited products and booth arrangements. 35 contracts were signed during the fair. Association completed trainings for enterprises on proper use of KEK maxigraf and other electrical equipment aimed at decreasing electrical bills through better production management.

KCBS assisted AKA in hiring a regional specialist to examine testing laboratories in Kosovo and abroad and define testing needs for agricultural inputs and products (seed, fertilizer, animal feed, wheat and flour). The Macedonian specialist prepared a business plan for testing of agricultural inputs and products. AKA delegation visited companies in Macedonia that are implementing quality standards and the work of agencies on harmonization of the national legislation in the field of food safety with that of the EU.

AKA was very active working with decision makers on the shortage of feed ingredients and increase in price of agricultural products due to the dry season. In order to keep cheaper price of the main products such as bread, milk, eggs, etc, AKA requested the reduction or exemption of VAT for the locally produced flour, milk and exemption of taxes for the packaging material used at food industry.

AKB: The Alliance, with KCBS support, started a pilot project aimed at reducing the informal economy in three selected municipalities (Prizren, Pejë and Ferizaj). The project originated in the Private-Public Dialog of 2005 whose aim was to encourage the private sector to take ownership of the business environment and to address different issues that are important for the business community and society in general. Lack of transparency and the informal economy were identified as significant problems for Kosovo economy. AKB prepared a brochure on promoting the formal economy, fighting corruption, moving financial transactions from cash into the banking system and increasing labor inspections. Two roundtable discussions were held in each of the three municipalities, where the business community and decision makers worked on developing an efficient model for moving the businesses from informal to formal track. Meetings had a very good turn out with representatives from the private and public sector attending. Open debates on informal economy and corruption were held at local TV stations in the three municipalities. A promotional TV spot to promote the formal economy was developed and broadcasted in September 2007.

American Chamber of Commerce: KCBS awarded a grant to the American Chamber of Commerce for implementation of "Business Best Practices series for 2007" and organizing two career fairs in spring and fall of 2007. The KCBS grant also included organization of a business lunch with representatives from AmCham and the US Consular Office in Skopje on June 20. Its aim was to answer questions for many association member companies and promote opportunity for US business trips and business linkages between two economies.

AWPK: KCBS awarded a grant to AWPk to support its traditional Wood Fair "Natyra 2007". KCBS guided the association towards using alternative ways to increase profits from this activity, through raising sponsorships and lowering costs. The Fair was opened by the President of Kosovo. 45 local companies exhibited their products, including doors and windows, wood flooring, cabinets and furniture, as well as lumber. The event drew considerable media attention, with TV 21 and KTV reporting on the opening event of the fair in their main news editions. In addition, during the days of the fair AWPk members were invited to a number of TV and radio programs and received considerable media exposure. AWPk income statements show that the association is in good financial health; non-donor funds account for 63% of the total revenues. AWPk became the first association to meet the 60% self-generated revenue goal set by KCBS for associations.

BCC: The Business Consulting Council [BCC] was launched on Dec.18, on the occasion of the final conference on the MTI Voucher Scheme. At this conference both the BCC

President and the BCC Coordinator delivered presentations on the purpose and vision of BCC, as well as on its schedule of activities for 2007. BCC promotional material was made available to conference participants in three languages. Conference participants provided very positive comments to BCC and they clearly saw the value of such an organization in the Kosovo consultancy market.

The main focus of BCC in their first year was on promotional events. On April 11 and 12 BCC exhibited at the Finance Fair organized by AMIK and KBA, with KCBS support. In May BCC held the first three regional conferences in Gjakova, Peja and Prizren with more than 20 participants attending each meeting from local business service providers, free-lance consultants, municipality officials, private businesses, NGOs. A fourth conference held in June in Mitrovica attracted a modest group of participants. The BCC code conduct has been widely promoted at the regional conferences.

BCC to date is not yet a functional organization. In the course of 8 months, it had three executives. It had unrealistic expectations on donors' support, overdependence on KCBS and recently lack of motivation from the board. Delays in following the schedule of grant activities and problems with the executives led KCBS to suspend the grant to BCC in July. The main conditions that the association should meet in the meantime are to hire an executive or management company to manage BCC activities, and add at least 10 new dues-paying members by Dec. 31. We hope the association will use this period to reorganize and further build its internal capacities.

KACP: This new association of concrete producers launched its full operation in early 2007, becoming in a short period a visible and well-functioning organization. Pursuant to KACP strategic plan the new board prioritized the activities for their first year of operation. The association website, a membership database, an industry conference on new concrete products and industry trends, a training program for operational staff on all aspects of the concrete production cycle and promotion of EN standards were the KACP priorities for their first year. These activities were later translated into a grant application that the association submitted to KCBS for support. However, it should be noted that KACP own contribution to their first year budget will be approximately 55% (i.e. revenue coming from membership dues, fees for services and sponsorships), which places KACP from the outset in the lead of KCBS-sponsored associations.

KACP agreed to ban from election to the Association's board representatives from companies that do not fulfill their obligations to tax authorities and those that have not paid their membership fee. This decision was executed in the June board meeting, which replaced three non-dues paying board members with three new companies. This is the first time in KCBS experience that the board of an association executes self-disciplining measures, which is a sign of responsible core members. Recruitment of new members has been one of the KACP priorities during their first year of operation, while the responsibility is being shared between the executive director and individual members of the board. So far KACP has 11 dues paying members, and two sponsor member, Sharcem who provided a €5,000 contribution to the association, and TTK, a Slovenian company who provided €2,000

In September, KACP held a two days concrete seminar with more than 75 attendees participating in both days of the seminar. Such turnout exceeded all expectations of the organizing team (as 25-40 participants were anticipated). More than 10 speakers delivered lectures during the two days of the seminar including a speaker from Slovenia and one from Albania. Attendees included university students, KACP member companies and public officials (such as the participants from the Independent Commission for Mines and Minerals). More than €300 was collected in entrance fees alone. This activity marks the first project of a KCBS sponsored association entirely independent of any donor or grant money. Although no grant money was made available, KCBS provided much technical and logistic support to this project.

KAMP: KAMP Annual Meeting had a very good turn out with more than 150 attendees. KAMP developed an association and industry database with more than 600 milk producers included. KAMP staff attended at two study visits to Switzerland and to England to learn from

the Dairy Producers Association and Farmers Federation, and from several dairy farms. The organization model of these associations was presented to the KAMP visitors from which they might improve some aspects of association development. KAMP has identified support industries and business service providers which would make the cluster more competitive. KCBS helped KAMP to disseminate this information, as well as a summary of lessons learned on the two study tours, through a TV show introducing dairy farmers to best farm management practices. The show aimed to increase consumer confidence in the quality of locally produced milk, by demonstrating correct dairy farming practices, proper milking, sample taking for analysis, milk hygiene, basic standards on fresh milk quality, milk storage in lacto-freeze and transport. A CD was distributed to farmers.

The Association focused on improving management and production practices of milk producers, implementation of health and consumer protection standards and creating a favorable regulatory and fiscal environment to the competitive industry. KCBS worked with KAMP, MAFRD and KVFA on implementing existing regulations on milk and dairy products quality and improving procedures for testing dairy products. KAMP has worked consistently with milk producers to improve milk quality, to coordinate milk collection and to stabilize milk prices with the KDPA. KAMP offered consultancy services in more than 60 dairy farms on prevention, control and regular checks of sub-clinical mastitis, using California Mastitis Tests (CMT). Staff worked with veterinarians to recommend proper drugs for mastitis treatments to milk producers. Through KCBS, Association supplied their members with the equipment to run CMT tests and trained farmers to use the equipment. From 60 farmers trained, 40 are using CMT; the impact was that the percentage of milk produced in Kosovo of an acceptable quality for the milk processors rose from 65% to 90%.

In the very dry summer this year the price of feed increased substantially. KAMP specialists provided information prepared by KCBS to farmers on use of different combination of feed rations that are available at Kosovo market.

KDPA: Increase of self-generated revenues was the main target for this year. A new Board agreed on a realistic structure and amounts of membership dues for 2007. KDPA also produced a TV show introducing dairy farmers to best farm hygiene management practices and a copy of this CD was also distributed to farmers. KDPA conducted a training program for 14 dairies on personal hygiene, cleaning and disinfecting of dairy plants. The training material was distributed to the participants who will use it to train workers at their plants. KDPA worked with seven dairy plants to test products that they plan to export to Albania and Macedonia. Results, which were presented to all association members showed high quality of products, such as yogurt, white cheese and UHT milk. The primary concern of the association was to communicate to processors and producers the advantages of the KVFA central testing lab and the pricing structure based on test results. KDPA agreed to start with a new milk payment scheme from 01 September 2007. KDPA worked on generating awareness among consumers that locally produced milk and dairy products are healthy, fresh and as safe as imported products.

In contrast to previous years, when there has been a surplus of milk during the summer, this year some of dairy processing plants had problems to find sufficient milk. KDPA and KAMP met continuously to coordinate activities by their members in purchasing locally produced quality milk and to find possibilities to keep its price stable. A white paper was prepared and addressed to MAFRD, MTI, MEF and Pillar IV asking for a reduction or exemption of VAT on locally produced milk and an exemption of taxes on packaging material used by the dairy industry in order to keep more stable the price of locally produced milk and dairy products.

OEK: The Kosovo Chamber of Commerce approached KCBS with a grant concept for establishing a legal office within the current OEK's structure. The office will provide arbitration and legal services related to commercial disputes, and will assist on legal policy issues. At the same time the legal office will serve as a training center for younger lawyers, who will benefit from the experience of senior professionals. Specific conditions were incorporated in the grant agreement to allow for the proper functioning of the legal office and

KCBS supervision on revenues generated by the legal services. KCBS financial support under this grant started on September 1 for a nine month period.

RCAK: The main activities of the second grant include: catalogue of equipment of RCAK members, training for asphalt and quarry producers, a promotional DVD for RCAK members, the annual stakeholders' conference, and a study on procurement practices and business dealings with private sector in road construction sector. During April and May the association has been very active in advocating for incorporation of EU standards in all Government procurement contracts and in promoting transparent tendering procedures. RCAK members are becoming more and more aware of the association capacity to influence change and have expressed their support for the association course of action.

Even though the association is stable in terms of the executive and institutional capacities, RCAK income statements show that the association depends strongly on grant and membership fees. RCAK has not been able to develop sustainable fee for service programs, which still makes the financial sustainability of this association fragile. KCBS has identified a need for improving marketing skills for some of the executives, including RCAK executive, and will address this need in year four.

SHPUK: Association organized the study tour to *AGROTICA 2006*, an agricultural trade fair in Thessaloniki, Greece in February 2007 and several members made a study tour in Zagreb – Croatia on September 7th. SHPUK produced the *Best Practices Guide* that will serve as a resource for poultry producers and other industry groups, and as a revenue earner for the association. It addressed: safety and compliance with industry regulations; increased knowledge of farm management; hygiene; and quality standards. As SHPUK had prepared a data base of commercial poultry producers, KVFA promised that the association would be in charge for distribution of the Newcastle vaccine to its members.

Association completed training on quality poultry feed preparation, using the recommendations developed by KCBS STTAs. KCBS awarded two grants to poultry producers, one for starting up layer parent stock and other for pelleting of poultry feed. SHPUK worked with KCBS, MAFRD and KVFA on scheduling vaccination program of imported day old chicks and at the parent farm. SHPUK held two workshops to present the results of parent farm and pellet mill. KCBS assisted SHPUK in designing two brochures; on pelleting technology, and on best management of layers at poultry farms. KCBS and SHPUK worked with MAFRD to decrease duties on imported maize and to improve the control of imported eggs at borders. SHPUK invited the Macedonian Poultry Association to discuss the coordination on animal feed supply and egg sales. An agreement was signed for regional cooperation regarding feed and eggs supply.

SHPUK organized a workshop on proper use of antibiotics and vitamins at poultry farms. KCBS had explored with SHPUK the opportunities to start a broiler production in Kosovo. The data on sales of broiler meat, domestic capacities and other data that demonstrate the size of needed domestic broiler production were presented at the meeting. The main barrier to a broiler production is investment in a modern slaughterhouse, which would be used for slaughtering broilers from many producers.

4.1.3 Strengthened Business Consulting Capacities

KCBS revised the Code of Conduct initially prepared by BCC for the consultant's profession and drafted a comprehensive compendium of quality standards for the consulting industry in Kosovo. The Code of Conduct was made part of the BCC membership application process, and through signing the membership application members commit to adhere to the code of conduct of the profession. The code was widely promoted in the BCC regional meetings, meetings with donors, partner associations and government officials, in particular with SME department under MTI. The code sets the basic principles of the quality standards. However, a compendium of quality standards per se is not developed.

In June 2007 KCBS facilitated for BCC a one-day-experience-sharing-event with the board of the Management Consultants Association 2000 (MCA 2000) in Skopje, Macedonia. KCBS is willing to support BCC efforts in any direction; however, BCC engagement is crucial. From

the experience to date the association relies too strongly on KCBS support. Future KCBS assistance to BCC in the area of quality standards remains conditional upon meeting the grant application criteria referred in 4.1.2 above.

4.1.4 Increased Use of Improved Business Practices

On the occasion of the successful termination of the second MTI Voucher Scheme on Dec. 18, KCBS and MTI co-hosted a conference that echoed the progress achieved by the scheme. We also agreed with MTI to use this forum to formally introduce in public the new BCC and the results of the UBO Consulting study on the business service provider market needs. The conference had a good turnover with 48 participants including BSPs, donors, MTI and the media. The Minister of Industry and Trade, Bujar Dugolli, addressed the event and praised USAID/KCBS for its support to businesses in general and BSP market in particular. At this conference UBO Consulting team delivered a presentation where they made public the results of their SWOT analyses on the business service provider market in the region.

A new grant to PIRAMIDA to provide advanced training on Kosovo Accounting Standards (KAS) for accountants in minority regions was a logical continuation of the previous year's SCAAK/PIRAMIDA project to harmonize the financial record-keeping practices in minority regions with the rest of Kosovo. KCBS facilitated SCAAK start pre-professional training for accountants from minority regions in North Mitrovica. This was an opportunity for accountants from North Kosovo to get licensed as certified accountants. Unfortunately only four enrolled in this course, but these trainees are now eligible to become accounting technicians, which is a precondition to enroll in the professional stage.

4.1.5 Improved Access to Credit

KCBS worked with five financial institutions to introduce leasing to the Kosovo market and helping three financial institutions complete necessary steps to introduce purchase order financing. Five financial institutions (New Bank of Kosovo, Kasa Bank, Bank for Business, KEP and Atlantic Capital Partners) received tailor made training sessions to help them develop the in-house skills to roll out leasing products. Leasing procedures and a standardized lease contract were developed and provided to each partner to be included in their institution's procedures. Memoranda of Understanding were signed with Kasa Bank, New Bank of Kosovo and KEP to help these institutions introduce Purchase Order Financing [POF] to the Kosovo market. Extensive training and technical assistance was provided to each of these institutions to develop appropriate policies and procedures and to educate management and loan officers on utilization of this new product.

POF credit policies and procedures were drafted and forwarded to the respective credit departments of the three financial institutions. Also, POF loan agreements, including assignments and guarantee forms were adapted and contextualized for the Kosovo environment and translated into Albanian, and then both English and Albanian drafts were forwarded to the legal staff at all three financial institutions for their review.

Much of the challenge related to developing these products in Kosovo has had to do with lack of clarity on legal and regulatory issues related to product development. With regard to this, Laws on Bills of Exchange and on Negotiable Instruments were drafted by KCBS and have been reviewed by the Central Banking Authority of Kosovo (CBAK). The CBAK has endorsed both laws and given their support to have the laws submitted to the government for approval, while the Ministry of Economy and Finance agreed to sponsor these laws. These new instruments will allow much more widespread use of trade finance in Kosovo, and will in fact increase access to finance much more broadly, allowing increased lending based on cash flow and on orders, and much less dependence on real estate and other hard asset collateral.

Nova Lubljanska Banka (NLB) bought the majority interest in both New Bank of Kosovo and KasaBank, and as a result, the working groups at both banks decided to postpone the implementation of the products during the transition period. They have decided to launch the

first pilot POF loans and leases in September and then in January of the next year they will officially promote these two new products. Bank for Business has approved the leasing product and its procedures; to date they have approved a car lease while they are in process of looking for potential deals on agricultural equipment leasing. KEP has four potential clients interested on leasing agricultural equipment and is ready to do the first leases, subject to a repurchase agreement on which they are working jointly with the supplier. KEP has decided to launch the pilot POF loans after they have successfully launched leasing. ACP was requested by CBAK to acquire the proper leasing software prior to making their first leases.

KCBS staff developed a list of potential clients and their equipment requirements and provided the list to the partner institutions so they could follow up on potential deals. KCBS will monitor the deals that are developed, but will leave further promotion of these instruments of financing to be managed by the institutions themselves.

KCBS supported a successful second Finance Fair organized by Kosovo Bankers' Association (KBA) and Association of Microfinance Institutions of Kosovo (AMIK). KCBS undertook efforts to secure sponsorship, and to improve the communication and cooperation among the partners to enable the team to successfully plan and implement the fair. The fair gathered 39 exhibitors, including banks, microfinance institutions, business service providers, insurance companies, etc. More than 1800 individuals visited the fair and the event received extremely positive feedback from both exhibitors and visitors. The Fair was covered by the three national televisions (RTK, KTV and RTV21), VOA, several major radio stations and at least three leading local newspapers.

4.2 Approach in Year Four

4.2.1 Improve Policy Dialog

KCBS will let stakeholder groups lead in taking initiatives to overcome business constraints. KCBS will consider giving support to such an initiative, but will not be pro-active in promoting initiatives. Should KCBS decide with USAID to intervene on these subjects, then appropriate expertise may be brought to Kosovo as STTAs.

In Year Four KCBS will continue to be a member of:

- Industry Roundtable, an advisory body to the MTI meeting on quarterly basis
- Business Club, hosted by OEK, in the format of informal business meetings

4.2.2 Improve Responsiveness of Business Associations

KCBS will continue to prepare associations to develop into self-sustainable, independent organizations capable of succeeding KCBS after 2008. Grants for implementing current strategic plans were awarded in different months of 2007 for different associations. In the project life left, no association can be awarded a grant, as previously, in support of a complete year's strategic plan. Nevertheless, KCBS will continue to encourage and support capacity building all the client associations. The main focus will continue to be on key activities typical for an association such as:

- expand and strengthen existing fee-for-services programs;
- implement quality standards and quality certification programs;
- deliver training programs for members and non-members on best industry practices;
- implement advocacy agendas;
- become an authoritative source of information for industry data;
- networking; and
- enhance regional cooperation.

Activity 2.1: Support associations in developing work plans with special emphasis on revenue generated programs.

In year four of project KCBS will continue working with associations to implement and conclude successfully the current grant activities. The current grants will conclude as per the following schedules:

- AWPk, AKA, KAMP and SHPUK grants - Feb. 2008
- BCC - no later than April 2008
- KACP - May 2008
- KDPA grant - Jun. 2008

KCBS will assist the associations in revising their strategic plans pursuant to the developing needs of their members and markets, and in designing work plans to fulfill their strategies. The focus of future KCBS support will be exclusively on revenue generated programs, increasing the capacities of the executives and improving the sustainability of associations. Financial support will be reduced to a minimum. KCBS will further support private sector driven quality control systems and mechanisms. Out of eight KCBS sponsored associations, five (AKA, KDPA, KAMP, RCAF and BCC) have taken self-enforcing quality control initiatives during their first two years of strategic plans.

Special care will be paid to BCC to meet the conditions of grant suspension note. Assuming that these conditions will be met, KCBS will work with BCC implement the rest of the activities carried over from the suspended grant.

By the end of the year four KCBS will perform one audit per each association's accounts and advise them accordingly on how to improve their financial management practices and run healthy organizations in the absence of KCBS.

Activity 2.2: Support OEK in strengthening the capacities of its legal office and improving the quality of services offered to its members

Even though OEK is not a KCBS cluster association, we have worked with OEK in the course of the project in a number of occasions. In year four a KCBS grant will support OEK in strengthening the capacities of the legal office and improving the quality of the services offered by this office to OEK members. The services that the legal office will offer are: a) Legal advice of general character (e.g. on commercial and tax laws in Kosovo, registration of businesses); b) arbitration services; c) compilation of complains and handling of disputes on behalf of the clients at the level of Tax Administration of Kosovo (TAK), Customs Service, and municipal tax authorities.

Even in this case, similar to KCBS' work with all business associations, the KCBS' principle of self-sustainability of the supported program/project is adopted. The OEK legal office should generate enough revenue to cover its own costs. For this purposes a fee schedule for the services has been agreed. KCBS will monitor on a continuing basis the financial statements of the legal office and amend its contribution accordingly.

Activity 2.3: Train association executives in best association management practices

Because of frequent changes in the staff, most of the executives of eight KCBS sponsored associations have not gone through any systematic form of training in association management practices (e.g. KACP, BCC, KDPA and AKA executives). Although further STTA intervention would be desirable to provide this training, the funds are not available. Instead, KCBS will organize regular monthly seminar/discussion groups for association executives to address best association management practices. KCBS staff will facilitate and moderate the meetings, but leadership through the process will be sought from those executives (e.g. from RCAF, AWPk, KAMP) who participated in much of the training already presented by KCBS. This activity will also serve the purpose of promoting the profession of association executives in Kosovo.

4.2.3 Strengthen Business Consulting Capacities

In Year Four the KCBS will continue to work with and educate the major stakeholders of the consultancy sector as to the benefits of an active and independent private sector. The consultancy sector stakeholders have already taken the responsibility for the sector and create institutions independent of public sector and government agencies. An important step was the establishment of the Business Consultants Council, as a response to the need for more responsible business providers and improved quality of business services. In the coming year, in addition to working with BCC [this remains conditional to meeting the grant suspension conditions] and leading local BSPs, KCBS will work closely with EAR/BAS program and Austrian ADA program towards furthering these goals:

- a) Build local consultants' capacities so that they can better respond to the needs of businesses and business associations
- b) Promote the standards of business ethics among consulting companies, consultants and broader business community in Kosovo
- c) Raise the awareness among broader business community in Kosovo on the values of the consultancy services

Activity 3.1: Promote the business consultancy profession in Kosovo.

KCBS will co-host with BAS program a conference on the future of the consultancy profession in Kosovo. An important player in this conference will be BCC, which will promote the consultant's code of conduct developed with KCBS support. BCC has expressed its commitment to quality services from the very beginning, and despite malfunctioning of the organization, establishing a quality certification program, is still in the BCC plans. However, BCC's organizational problems to date has precluded it from becoming the authority that will certify the quality of its members' services as initially anticipated. KCBS will look to work with BCC as well as other stakeholders, such as the BAS and ADA, to enlarge the association membership and establish standards for the profession

Several donors support the development of the consultancy profession in Kosovo. To a large extent, the profession will assume transmitting much of the professional advice that hitherto has been done by the donors. It is therefore the profession's interest to promote the services it can offer to the business community in Kosovo. The business community need to be made aware of the services that local consultants can provide, and it needs to be weaned away from a sole reliance on donor programs of assistance. When the BCC has established itself as a functional organization, KCBS will provide assistance to the council in developing a program to market its services.

4.2.4 Increased Use of Improved Business Practices

KCBS will focus its attention in Year Four on increasing the use of improved business practices in minority areas.

Activity 4.1: Training of taxpayers from minority regions on practical implementation of VAT calculations and customs statements

Many companies are facing now problems with CFA on proper VAT calculations, VAT reimbursements, filling of required declarations, information about VAT exempts, etc. Due to very poor links that businesses have with central authorities in Pristina, there is a lack of information and opportunities for receiving professional help. KCBS will provide training in North Mitrovica to businesses mainly from North Kosovo, but others from Gračanica and Strpce will also be given the opportunity to attend. Training will have a practical approach with case studies and real examples and will enable participants to understand and apply pragmatic issues regarding VAT. Lecturers will include tax experts and representatives from CFA and Customs.

Activity 4.2: Training of recently graduated economists/accountants on IAS/KAS standards

Students graduating from the Economic Faculty in Zubin Potok and Commercial College in Leposavic do not possess the skills and knowledge required by the labor market in North Kosovo after graduation. Through its SAF fund, KCBS will provide training in implementation of IAS\KAS standards and Kosovo tax regulations in North Mitrovica for recently graduated students and pupils who finished secondary economic schools in North Kosovo.

Activity 4.3: Training in the preparation of business plans for development projects

The major problem recognized during the first cycle of EAR/FAIR grants project was the lack of local companies knowledgeable on how to present qualitatively their ideas and projects to donor organizations and financial institutions in order to qualify for a grant or access financing from banks and MFIs. Many do not know how to use business plans for running their own businesses. Working with several companies in North Kosovo, KCBS is positive that there are several companies who would participate in an on-the-job training program, preparing specific business plans and applications for the companies.

5.0 CROSS-CUTTING THEMES

5.1 Review of Year Three

5.1.1 Work in Minority Areas

KCBS continued support to the individual farmers and farmers' associations from different minority regions in Kosovo: Strpce, Lipjan, Gnjilane, Novo Brdo, Kosovo Polje and in North Kosovo. The main activities were related to milk quality improvement, facilitating milk producer and processor linkages, facilitating linkages between corn producers in minority areas and animal feed producers throughout Kosovo, working with sheep farmers on productivity improvement and marketing, and establishing pasture improvement test plots and Sudan grass field trials.

Poor milk quality has also been identified as a major problem in minority areas as it has throughout the rest of Kosovo. KCBS worked with farmers assisting them with STTA recommendations and technical support to improve general farm management and especially to improve hygiene in the barn and with milking utensils. KCBS organized several presentations about milk quality improvement and mastitis control and informed farmers about the new administrative order on raw milk quality implemented from January 2007.

KCBS continued the distribution of new training brochures and other material that was translated into the Serbian language during Year Three. This included training material on sheep nutrition and health, sheep cheese processing, alfalfa and corn silage production practices, using large round bales for hay silage, quality milk production, reproduction issues in dairy cows and how to properly take soil samples. These materials were made available to farmers directly, farmer associations, municipal agriculture staff and educational institutions.

Through its SAF fund, KCBS supported Sheep farmer's Association "Golden Fleece" to purchase equipment for sheep sheering and basic veterinary equipment that will be used to serve association members and other sheep farmers in the Leposavic Municipality

KCBS assisted minority farmers in selling their products such as corn grain and other crops through creation of linkages between farmers and feed producers from Ferizaj and Lipjan municipalities. Sales by farmers included corn grain, wheat, barley, and oats. KCBS established two pasture improvement test plots in minority regions in Leposavic and Strpce municipalities; a test plot of Sudan grass was also established in the Lipjan municipality. Sudan grass is sometimes used as an emergency crop in dry years because of its relatively good drought tolerance.

Much of the KCBS work in promoting the blueberry trade took place in mixed areas where the minority businesses played a significant part. The description of work performed is covered under Section 3.3 of this report.

5.1.2 Women's Issues

KCBS helped NGO "Lady" to obtain financial support to expand her production line. This multiethnic organization employs nine women, mainly Bosnians, and it has a well-equipped production and selling space. In recognition of the progress made by this organization, KCBS donated them a computer and provided them through KCBS's client companies with construction material for refurbishment of their new production place. EBRD/TAM-BAS project selected "Lady" to represent women businesses from Kosovo in the Women Prize Conference, in Kazakhstan later in 2007. KCBS has also recommended NGO "Lady" and NGO Avenia from Laplje Selo (the latter is planning to establish a mini-textile factory) for consideration under the upcoming GTZ gender project.

From Dec.11-12, Women Business Association from North Mitrovica and NGO "Mundësia" from South Mitrovica organized the NGO fair in North Mitrovica, where 19 exhibitors from local and international organizations had a chance to present their products and their work to about 150 attendees. KCBS was present during both days of the fair as exhibitor and facilitator. On the second day KCBS facilitated a roundtable on the role of associations in

economic development for local and international NGOs. KCBS Association Manager delivered a presentation entitled “Some practical steps on NGO registration in Kosovo and the Associations’ role in development”. In addition, two of our grantee associations, RCAK and AWPK, and NGO Lady presented their experiences in serving their members, and talked about their partnership with KCBS. 29 participants attended this roundtable.

KCBS continued working with Women for Women International [WfW]. KCBS visited a storage place in Komorane in Drenas region to advise on how to adapt the space for storage of vegetables. In north Kosovo, KCBS facilitated a visit of WfW to the company Katarina from Zvecan and also facilitated a meeting between WfW, and WBA and Mundësia from Mitrovica. WfW is interested to expand its activities in Mitrovica region, working with multiethnic women organizations and enabling their economic independence. KCBS funded both Mundësia and WBA to implement the Recycling Awareness campaign managed by them in Mitrovica in schools serving both ethnic groups.

5.2 Approach in Year Four

5.2.1 Work in Minority Areas

As in the rest of the project work in the fourth year, KCBS will concentrate on consolidating initiatives already started in minority areas. The majority of these initiatives address the four sub-objectives of the IR 1.3.1 Increased Competitiveness of the Clusters; and the three sub-objectives of the IR.1.3.2 Improved Business Operating Environment. KCBS will apply the same principles and practices as are outlined in the preceding sections to ensure that project recommendations are embedded in the operations of the farmers, enterprises and associations in minority areas. Some of these initiatives are recalled below:

Livestock:

- Develop dairy demonstration farm activation in Leposavic area
- Improve the milk supply by Agro Hit Association dairy farmers in Leposavic
- Improve sheep farmers practices, Golden Fleece Association in Leposavic
- Establish a proper MCC for the Viti Farmer’s Association
- Assist AgroSeme in developing oil seed cropping in Gracanica area
- Develop inter-ethnic linkages for sale of crops produced in minority areas
- Conduct pasture trials and alfalfa seed multiplication trials in minority areas.

Fruits and Vegetables:

- Study tour to Slovenia or Croatia for case studies/visits of HACCP certified facilities; three of the eleven proposed participants are Minorities
- Training sessions in cold chain development at three companies in Minority areas -- Scardus Company in Strpce; As Promet Company in Leposavic; and the UVB Association in Blagaje – Peje.
- Training sessions in post-harvest handling at Juniperi Fructus in Dragash.

Improved Business Operating Environment:

- Training of taxpayers on practical implementation of VAT calculations and customs statements
- Training of recently graduated economists/accountants on IAS/KAS standards
- Training in the preparation of business plans for development projects.

At the very end of September, USAID asked KCBS to propose some projects that would stimulate employment generation in local communities where there was a continued high rate of unemployment, especially among the youth and minority populations, and where economic opportunities in minority municipalities and enclaves remain limited. At the time of submitting this Work Plan there had not been any confirmation of the acceptance of the KCBS proposal, and detailed descriptions of the work are not provided herein.

5.2.2 Women's issues

Activity 5.1; Textile production in Gracanica/Laplje Selo

A women business association from Laplje Selo, AVENIJA, is planning to establish a mini textile operation in the village. A market for its products has been confirmed in Serbia, and approximately 10 women will be employed working on two shifts. Finnish KFOR has provided eight new sewing machines and two new looms, all unused in the two years since being donated. Production will be organized within the existing premises of the association but new PVC doors, windows and flooring for the facility are needed, and KCBS proposes a SAF grant to accomplish these improvements. KCBS will help AVENIJA to get financial support to cover training on proper use of the donated equipment.

Activity 5.2: Recycling project in Mitrovica

WBA and Mundësia, two women business associations from Mitrovica region are planning to start to work on a new recycling project which will include setting up collection and compaction of glass, paper and aluminum, and later the more valuable waste of old computers, mobile phones etc. WBA and Mundesia will prepare a business plan and apply to the EAR project for equipment. KCBS will provide these two associations with technical support in the preparation of the business plan as well as coordinating technical information about the project.

6.0 PROGRAM MANAGEMENT

6.1 Strategic Activities Fund

6.1.1 Review of Year Three

In Year Three, KCBS continued to leverage the Strategic Activities Fund (SAF) to support core project activities by providing funds to local business support service providers, associations, and others to provide direct interventions to clusters, enterprises, associations, and business support service providers.

During Year Three, KCBS received 32 concept papers from organizations proposing ideas for activities to be supported by the SAF. This shows that the interest for funding was quite low compared to year two. During this year KCBS awarded 19 simplified grants, 13 standard grant agreement and 11 subcontracts, bringing the total of 53 grants and 58 subcontracts and four procurements of goods awarded since the beginning of the project.

Funds approved to date total €1,638,650 (\$2,094,549). Below is a description of funds approved noted by award-type and cluster.

Fixed Price Subcontracts: In Year Three KCBS awarded 11 subcontracts, with an obligation value totaling €61,345 (\$82,013). The total from the beginning of project for subcontracts is €561,499 (\$722,298).

	Subcontracts signed in Year 3	Value of Subcontracts signed in Year 3		Total value of Subcontracts for cluster	
		€	\$	€	\$
Livestock	7	€ 40,378	\$ 53,565	€ 352,420	\$ 451,241
Fruit & Vegetables	1	€ 3,350	\$ 4,527	€ 8,060	\$ 10,892
Construction Materials	2	€ 14,647	\$ 20,064	€ 33,487	\$ 44,230
General Business	1	€ 2,970	\$ 3,857	€ 167,533	\$ 215,935

Grant Agreements: In Year Three KCBS awarded 19 simplified grant agreements and 13 standard grant agreements, with an obligation value totaling €518,105 (\$677,810). The total from the beginning of the project for grant agreements is €1,013,414 (\$1,290,458).

	Grant Agreements signed in Year 3	Value of Grants signed in Year 3		Total value of Grants for cluster	
		€	\$	€	\$
Livestock	8	€ 113,897	\$ 149,527	€ 216,011	\$ 274,037
Fruit & Vegetables	8	€ 206,957	\$ 271,092	€ 256,437	\$ 331,777
Construction Materials	2	€ 17,000	\$ 21,795	€ 42,297	\$ 53,838
General Business	14	€ 214,850	\$ 282,298	€ 498,664	\$ 630,807

Procurement of Goods: In Year Three KCBS awarded one procurement of goods with value of €11,540 (\$15,185) for procurement of pregnant sheep.

Management and Challenges

Compared to other two years in year three through SAF have been awarded more grants than subcontracts. This third year SAF continued to support the associations in their strategic plans implementation. With six associations we renewed the grant agreements and we continued to support their activities for year two. Two new associations; Business Consulting Council (BCC) and Kosovo Association of Concrete Producers (KACP), were awarded grants for their year one strategic plan implementation, which brings the total number of the associations that are supported through SAF to eight.

Business Consultant Council grant faced difficulties from its startup as it changed three Executive Directors and this created a lot of problem in implementation of activities according to the plan. KCBS decided to give another chance to this association and suspended the grant for a period from Beginning of August up to December of 2007. In this period BCC will need to realize few tasks that were given to this association in order to continue the grant implementation.

A summary of the use of SAF funds is included in the table below:

	Approved	
BY CLUSTER	Euro	US Dollar
Livestock	€632,168	\$807,071
Fruits & Vegetables	€264,497	\$342,668
Construction Materials	€75,784	\$98,068
General Business Support	€666,202	\$846,742
Total	€1,638,650	\$2,094,549
BY TYPE		
Grants	€1,013,414	\$1,290,458
Fixed Price Subcontracts	€561,499	\$722,298
Procurement of Goods	€63,737	\$81,793
Total	€1,638,650	\$2,094,549

In June 2007 KCBS agreed with USAID to the transfer of funds from other line item activities to the SAF, which now has a ceiling of \$2.3 million. KCBS has already prepared a plan on what these funds can be used for in Year Four of project implementation.

6.2 Performance-Based Management System

6.2.1 Review of Year Three

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 and semi-annual and annual basis.

In Year Three, KCBS continued to collect the data from client companies. The record-keeping of our clients is improving, although there are still problems, mainly at small farms. The data has been collected on quarterly basis, for each month. There is still, a problem for enterprises and associations to close their books at the end of a quarter and meet the KCBS/USAID report delivery date. The same problem arises when collecting data from external sources, such as Ministry of Finance and Statistical Office.

As of September 30, 2007 KCBS has in its database 111 enterprises (plus Blueberry collectors aggregated as one enterprise). From that number, 87 are active and 24 inactive. The reasons that some of our clients turned inactive were:

- Some clients have been reluctant to give us their data. We cannot support enterprises if we are not able to measure the impact of our support.
- The business of a company was dependent on the results of the privatization process.
- The business of a company was unable to obtain the necessary financing from the bank.
- Company diversified into different production that KCBS doesn't support.

In Year Three, the number of clients increased by 26 companies (6 in construction cluster, 17 in Fruits and Vegetables cluster and 3 in Livestock cluster). 10 companies became inactive during Year 3.

Monthly enterprise reports have been completed and included in the database for all our clients.

In comparison with the baseline data, there is increase for all indicators. From all companies (active and inactive) that are in our system, the data as of 30 September is shown in the following table:

Indicator	Target	Actual
Increase in sales - euros	35,000,000	84,505,327
Increase in sales - % over baseline	27.4%	66.0%
Increase full-time equivalent [FTE]	3,000	4,199
Increase in financing - euros	10,000,000	11,175,700
Increase in capital investment - euros	4,500,000	30,941,217

6.2.2 Stakeholder Satisfaction Survey

A recommendation from the mid-Term evaluation of the KCBS project undertaken for USAID by SEGURA/IP3 Partners LLC in 2006, the consultants was that KCBS should conduct Client Satisfaction Surveys semi-annually using independent contractors. Early in Year Three, KCBS contracted with a local business service provider, MDA – Management and Development Associates – to carry out the first survey.

59 Cluster Clients Surveys and 40 Stakeholder Surveys were completed. In answering questions – other than those requiring a straight “Yes” or “No” answer - interviewees were asked to rate their answers 1 through 5, where 1 = poor; 2 = fair; 3 = satisfactory; 4 = good; and 5 = exceptional. If some interviewees answered a question with “Not Applicable” these

interviewees were excluded from the size of the sample when determining the overall average response to that question

On the 15 questions that were asked of Cluster Clients, which required a rating answer, the average score was 3.85; on the 12 questions that were asked of Stakeholders, which required a rating answer, the average score was 3.98.

The final question asked of interviewees was “what other services and assistance did they think KCBS should provide to the business community? (services, clusters, events, workshops, seminars, trainings)”. [It should be noted that additional financial assistance as an answer was excluded]. The most frequently made requests by Cluster Clients were for more trainings, seminars and workshops; technical assistance from experienced international experts; and assistance in understanding and getting access to regional markets. The Stakeholder interviewees also most frequently requested more trainings, seminars and workshops; they also requested assistance in certification processes, and more involvement by KCBS with the financial institutions.

MDA concluded that overall, Cluster Clients were satisfied with the level of advisors and experts provided by KCBS. However, MDA said that KCBS should stress the importance of the involvement of cluster clients in the KCBS project, and should strive to reach out to every business belonging to the cluster sectors and provide them with information regarding the services that KCBS can provide. MDA recommended that KCBS conduct a needs analysis with all cluster clients to help when compiling the yearly plan for educational seminars and workshops. MDA also recommended that KCBS prepare a weekly or monthly newsletter in which KCBS services would be explained and offered to all cluster clients.

As a result of the Stakeholder survey, MDA made similar recommendations that KCBS improve the communication of its role and activities, as well as the project’s achievements. MDA also suggested that KCBS should research the possibility of including other clusters in the program. While the attendance in seminars/workshops of surveyed stakeholders was 93%, and the quality and quantity of seminars/workshops scored 3.8 out of 5, MDA recommend that KCBS should implement better quality control when implementing seminars/workshops. This conclusion is prompted as a result of some of the comments received in answer to the final question about additional services.

In response to these recommendations, KCBS has initiated:

- KCBS started to involve more companies in a cluster, other than its database clients, in trainings, workshops and seminars;
- KCBS continued to spread the technical advice, given directly to its database clients, to a wider constituency through cluster associations, especially by means of brochures;
- KCBS has responded to requests by clients for educational seminars and workshops in fields such as marketing, standards, and improved technical practices, and these are included in this Year Four work plan; and
- KCBS will publish in Year Four a bi-monthly E-Newsletter, with wide distribution list of clients and stakeholders, reporting on project interventions in the economy.

6.2.3 Approach in Year Four

6.2.3.1 Monitoring and Evaluation

KCBS will continue to monitor progress to determine whether or not KCBS activities are making progress towards intended results. Also we will continue to evaluate on an ongoing basis the project’s performance and impact in relation to stated objectives. Evaluation helps to identify effects that are attributable to the program.

KCBS will continue to collect and to report data on primary and common indicators.

In Year Four, besides collecting the data from associations related to three primary indicators that are in our Performance Monitoring Plan, KCBS will also collect data on the

number of members in each association, value of dues paid by their members, total sales of their members, value of their imports and/or exports, etc. The rationale for collection of this data is that when an association has such information, it can demonstrate the weight of what it represents and its significance to the economy and society.

In view of support of AKB to reduce informal economy, KCBS will check to ensure all our clients are registered with the Agency for Business Registry. It will encourage those that are not yet registered to register immediately; failing that, KCBS will remove them as clients.

6.2.3.2 Quality of Data

Data quality is critically important for credibility. There are several factors that influence the data quality, reliability, integrity and attribution are amongst them.

To have reliable information, the data should reflect stable and consistent data collection processes and analysis methods over time, so that changes in data are not due to changes in the data collection method.

Integrity means that data that are collected, analyzed and reported, have established mechanisms in place to reduce manipulation.

Attribution means whether the results were caused by KCBS interventions and whether they are attributable to the project.

During Year Four, KCBS will be working to improve the quality of data coming from our clients. The problem that was identified in previous years is poor recordkeeping. Companies do not keep proper records, especially smaller farms. The owners of such companies “understand” importance of recordkeeping only when they need a loan from the bank or when they are “visited” by tax people. KCBS efforts have been directed, and will continue to be in Year Four, to increase awareness of the importance of proper recordkeeping and accounting for the prosperity of the business. A pilot program to introduce professional accounting standards through locally developed accounting software in three companies in poultry/feed producer clients, was started at the end of year three, and will continue in the first part of Year Four. If this program is successful, KCBS will promote its adoption through SHPUK and other agricultural associations to a wider clientele.

As explained in the Approach in Year Four of the various clusters, KCBS will support further training on accounting standards, mainly in minority areas. Also KCBS will assist clients in all clusters to gain easier access to credit and on business plans preparation. A client who doesn't have a sound accounting system can gain neither of these successfully. By supporting clients in these two areas, KCBS is helping them to have better recordkeeping system.

6.3 Communications

6.3.1 Review of Year Three

Year Three of the KCBS Project was again a very active period for all the clusters in the project and thus also for the KCBS Communications Team. The events organized, the publications, KCBS' presence at all the major events, and above all the media coverage, helped the project consolidate its reputation in Kosovo, always in close co-operation with USAID. Being energetically involved in various events in year three, KCBS has continued to be a strong supporter of the local associations and organizations in their endeavors towards strengthening their image in the Kosovo market.

Ceremonies and Events

KCBS, in cooperation with two local women's NGOs, promoted recycling in North and South Mitrovica. The effort is comprised of several inter-related initiatives including a media campaign and training of high-school students. One of the training efforts was concluded with a ceremony attended by the organizers, KCBS, IREX and USAID's Mission Director. During this ceremony the 24 highest-scoring students were awarded certificates as being certified recycling trainers to train pupils at elementary schools in recycling and environmental issues.

KCBS reinforced its relationship with the Kosovo Chamber of Commerce. A special ceremony was organized at the KCC as USAID/KCBS funded a grant for the provision of equipment to be installed in a new Business Association Development Center at the Chamber. This support ceremony also marked the holding of the first General Assembly and Election Meeting of the Kosovo Association of Concrete Producers.

The KCBS project booth was visible at a large number of fairs both as a donor and as an exhibitor:

- Early in the year off there were two smaller fairs: Agrokos, the main fair for agriculture held in Pristina; and Agrohit Fair held in Leposavic, attracting mainly minority farmers.
- KCBS was one of the main supporters of AKB and AKA in organizing the 2007 Agriculture and Food Fair, which was held on March 29-31. Deputy Mission Director Heather Goldman spoke at the opening ceremony together with Kosovo's Prime Minister, Agim Ceku, AKB President, Agim Shahini and Deputy Minister of Agriculture, Tome Hajdaraj.
- The Finance Fair 2007 hosted by the KBA and AMIK on April 11-12, attracted 39 exhibitors (banks, microfinance institutions, business service providers, insurance companies etc) who promoted their products and services to around 1,700. There was also a remarkable media coverage: four TV stations (RTK, KTV, RTV21 and Voice of America), several major radio stations, and at least three leading newsletters.
- Over 800 young people attended the Careers Fair, organized by the American Chamber of Commerce and supported by KCBS; although it lasted only one day, both exhibitors and visitors declared it to be a very rewarding experience.
- The "Natyra 2007" Wood Fair, hosted by AWPK and supported by KCBS, was held from May 9- 12. AWPK hired a PR team who have worked closely with KCBS to obtain approval for all their activities and who ensured that promotional events started prior to the fair and continued until the very end. This has resulted with various programs on the major TV stations and articles being written in the main daily newspapers.

Conferences, Seminars and Workshops

Year Three started with the first seminar ever in Kosovo on HACCP, "Good Manufacturing Practices: The Basis for HACCP Food Safety Systems", held at the Grand Hotel. The seminar was open to representatives of the public and private sectors of the agricultural economy of Kosovo who are stakeholders in the advancement of HACCP standards and was attended by around 120 participants.

KCBS put together a workshop on Leasing, which was attended by several financial institutions. The aim was to provide local financial institutions with the necessary information on this new product being introduced in Kosovo.

The Marketing and Linkages Conference held on March 21 at the Grand Hotel, has also been marked as a much-celebrated event. Approximately 160 guests representing retailers, producers, processors, wholesalers, associations, Ministries, donor projects and marketing agencies attended the conference. 13 presentations were delivered which included two separate break-out groups tailored to the fruit & vegetable and dairy/meat audiences and keynote presentations from Croatia's Konzum and Macedonia's Ramstore retailers and suppliers. Initial media coverage included TV: RTV21 & KTV; Radio: Blue Sky, Free Europe and Radio Kosova; Daily Newspapers: Koha Ditore, Zeri, Iliria Post.

KCBS project hosted the 2007 Blueberry Buyer-Seller Meeting on 21 June at the Grand Hotel. Operators of collection centers, intermediate handlers, refrigeration service providers, exporters, regional buyers and representatives from local internationally-sponsored projects working in the agricultural sector came together to discuss the future of the blueberry industry. Presentations were made by the heads of three organizations that have received grant assistance from KCBS to help the Kosovo blueberry industry build new vertically-linked value chains between rural collectors and export markets that promote product quality.

Media Coverage

The project's successes did not go by unnoticed by the media. In addition to the cases mentioned above, media have been closely following the KCBS activities.

- ◆ The daily, Iliria Post, has paid special attention to our project with four stories being published on KCBS within a month. There were interviews with COP, on Lamb exports, on Local dairies becoming competitive, and on the Milk Quality Improvement Project.
- ◆ Two further interviews with KCBS specialists were published in Iliria Post. Todd Kirkbride spoke on the importance of marketing; and Albert Wanous spoke on the situation of agriculture today in Kosovo. Another article under the title "More favorable business policies needed to attract foreign investors" quoted the COP providing information on the business environment in Kosovo.
- ◆ KCBS COP, was interviewed by KTV and TV Tema; and by Radio Kosova on their weekly "economic" show.
- ◆ The Agricultural program, Bujku, has aired several footages covering KCBS activities. It culminated on March 17, when the entire Bujku edition was dedicated to KCBS's work and investments. KCBS COP, was interviewed by RTK's Bujku on Engineered Wood Flooring and the importance of the forest industry in Kosovo.
- ◆ The monthly magazine "Biznesi" published an overview of the KCBS Project in their July edition

KCBS Publications

Hundreds of copies of the second annual KCBS Project brochure were distributed in all three languages.

A blueberry bulletin – preparing all involved in the blueberry chain for the upcoming blueberry season.

SHPUK and KCBS drafted and published a feed pelleting handout.

Sheep milk has been of a special interest during year three. Brochures such as "Improving sheep milk quality" and "Production of soft white Sharri cheese" were among the new titles added to the list of KCBS publications. KCBS also published a Sheep Record keeping brochure advising sheep farmers on how to organize their record keeping in their farms.

KCBS also worked closely with its grantees and subcontractors to help them put together brochures, calendars and newsletters.

6.3.2 Approach in Year Four

In Year Four, KCBS will continue to provide regular, high-quality input for USAID/Kosovo's external and internal communication vehicles and USAID/Washington's success story initiative. Events organized by the KCBS and/or its partners will be professionally prepared through communications plans. Although the Communications Specialist left the project at the end of September, the project has no plans to replace her for the final year; she has left KCBS well prepared to continue to communicate the project to all our stakeholders. The media will be provided with accurate and timely information: press releases, occasional newspaper articles, write-up ideas for television programs and interviews.

In all our communications, KCBS will underscore that the project has been made possible with assistance provided "from the American people" on printed materials, and through public trainings and events tailored to meet the project's technical requirements. The project will achieve a high level of visibility with different stakeholders throughout the country by targeting each audience with the right communications tools, delivered in the right format, in the right language, at the right time.

The project will use and produce a variety of written reports to emphasize USAID's and the U.S. Government's role in the progress of the Kosovo economy. In coordination with the USAID Mission, the project may publicize the project in Kosovo through press releases, site visits, success stories, beneficiary testimonials, professional photography, project website, e-invitations, e-mails to other group lists, other Internet activities, or other relevant communications tools. Specifically, some important tools include:

- ◆ Bi-weekly e-newsletter. One innovation in the last year will be the publication of a bi-weekly e-newsletter containing articles on the developments and accomplishments achieved by the KCBS project across all its areas of activity. The newsletter will have an extensive distribution list to all the project's stakeholders. The newsletter will be branded very similarly to the Mission's bi-monthly e-newsletter, thus identifying it more strongly with USAID's overall support to Kosovo. Anticipated topics for the first six months are listed in Annex IV.
- ◆ Success stories and testimonials. KCBS will produce several success stories to supplement those already in Washington awaiting publication. It has been a matter of regret that no success stories were published in Year Three despite several having been cleared by the Mission. Success stories and testimonials can be powerful tools to demonstrate that thanks to USAID's assistance, real progress is taking place in sectors in which we work.
- ◆ Press releases and press conferences. The mass media can help promote a positive and unified image about developments in Kosovar businesses' competitiveness, and the impact that has on the broader Kosovar public. They can also support dialogue between the public and private sectors and enhance the United States' own image in the country. KCBS will periodically disseminate press releases to announce significant project results and organize press conferences in conjunction with appropriate KCBS events.
- ◆ Project website. The KCBS website (www.usaidkpbs.com) is used to post material, success stories, grant and subcontract information, technical publications, and technical assistance information.
- ◆ Workshops, meetings, conferences, and training seminars. The project will help generate dialogue and consensus about the way forward. We will host or facilitate a number of sessions, ranging from dissemination of technical advice, to large public workshops to ensure coordination and common aims among partners. Invitations to the above will be branded consistently with the USAID identity to ensure an easily recognizable "look and feel" for project-related invitations and proceedings.
- ◆ Capturing impact and lessons learned in the final report. Chemonics prides itself on writing and creating final reports that capture the overall impact and tell the story of the project. KCBS will distribute its final report to key stakeholders at a final event in Kosovo in September.

6.4 Project Administration

6.4.1 Review of Year Three

The Chemonics' home-office project management unit (PMU) and the KCBS field team, under the direction of the chief of party, worked effectively to provide seamless support for implementation of project systems, including all financial and contract reporting.

The KCBS Senior Field Manager is the responsible link between the KCBS field team and the home-office PMU to ensure that sound management principles and tools are employed in the operations of the KCBS Project and in the implementation of its work. The Senior Field Manager is responsible for a wide range of administrative, financial, contractual, management, and reporting responsibilities for the project.

The several administrative mechanisms introduced in Year Two to support effective project support were continued in Year Three:

- *Weekly staff meetings.* Under the direction of the Chief of Party, KCBS Project staff meet each week to brief each other on planned activities, accomplishments, and progress. These meetings help to monitor progress toward achievement of stated goals, ensure that KCBS stays focused on results, and facilitate communication between the various cluster, business support, and administration teams. A feature of these meetings was regular presentations by local staff on aspects of their work; these provided opportunities for KCBS staff to improve their presentation skills in a familiar environment.
- *Annual staff performance evaluations.* Individualized performance evaluations were conducted for each KCBS team member. The purpose of this was two-fold: (i) to build capacity of local staff by providing feedback on job performance; and (ii) to help ensure that KCBS meets all contract deliverables on time or ahead of schedule.
- *Weekly coordination with HO.* The FO Administration team holds weekly telcons with the Home Office PMU on various matters such as approval requests, contract billings, procurement, personnel issues, reporting, etc. These discussions help to reduce duplication of effort and ensure that contract compliance.

6.4.2 Approach in Year Four

During Year Three, there were a few personnel changes. The Senior Field Manager, Nicole Lowery, completed two years on the project and returned to Washington at the end of June. Zachary Hubell, who had previously conducted an internal audit of the project for Chemonics, and was therefore reasonably informed about KCBS, replaced her. The Administrative Assistant left in August to manage a new office being set up by one of our Partners, Crimson Capital, in Pristina and was replaced by internal promotion; the SAF Assistant Administrator was fired in August for improper conduct and was replaced; and the Communications Specialist resigned in September to take up a scholarship in the UK. She will not be replaced.

The revised organization chart is shown in Annex V. Chemonics remains committed to supporting KCBS to achieve results on schedule, within budget, and in compliance with all applicable rules and regulations. The schedule for demobilizing personnel will be refined as the project nears completion; however, in broad terms, it is envisaged that the expatriate cluster specialists will leave at the end of June, and the local staff specialists will leave on a phased schedule during August and September.

ANNEXES

Annex I	Cluster Schedules of Projected Results
Annex II	Preliminary Tasks/Projects identified for STTA Assignments
Annex III	Preliminary Tasks/Projects identified for SAF Funding
Annex IV	Topics for the Bi-Weekly E-Newsletter
Annex V	Organization Chart
Annex VI	Glossary of Acronyms

3.2c ANIMAL FEED & CROPS CLUSTER - PROJECTED RESULTS

Result Area	No.	Result Measure	Year Four Timeline												Resources Other Than LTTAs	Stakeholders		
			O	N	D	J	F	M	A	M	J	J	A	S				
Increase Productive Capacity	1.1	Assist in arranging long term (5yrs. or more) leasing of public pastureland by at least one farmer. 25 farmers practicing some pasture improvement improvement practices	X	X	X	X	X	X									SAF program HAK MAFRD, local municipality	Cattle and Sheep Farmers, Government of Kosovo
	1.2	At least 2 seed producers with contracts to multiply alfalfa seed in 2009 and Alfalfa seeded in the fall of 2008.							X	X	X	X	X	X			SAF program Semenarna, Agrosativa Fitofarma, Agrounioni , KODAA	Seed Companies, Crop Producers, Dairy Farmers, Input Suppliers
Improve Quality Control	2.1	Soil and leaf samples taken from at least 4 suspected heavy use areas with potential chemical residues with appropriate awareness and training campaign if a problem is determined to exist					X	X	X	X	X						SAF program KODAA, MAFRD, Peja Institute, Agricultural Faculty	Crop Producers, Dairy Farmers, Input Suppliers
	2.2	Conduct 10 regional training workshops in key agriculture regions of Kosovo on good cropping practices		X	X	X	X	X									Local Associations, Pristina Ag Faculty, extension workers, municipal staff, BSPs	Local Associations, Pristina Ag Faculty, extension workers, municipal staff, BSPs
	2.3	GHP standards installed in at least two seed processors in Kosovo							X	X	X	X					STTA KODAA, MAFRD,	Crop Farmers, Farm Input suppliers

4.0 IMPROVED BUSINESS OPERATING ENVIRONMENT - PROJECTED RESULTS

Result Area	No.	Result Measure	Year Three Timeline												Resources Other-Than LTTAs	Stakeholders	
			O	N	D	J	F	M	A	M	J	J	A	S			
Improved Responsiveness of Business Associations	1.1	Support associations in developing work plans with special emphasis on revenue generated programs	X	X	X	X	X	X	X	X	X	X	X	X		SAF - several grants	AKA, KDPA, RCAK, AWPK, KAMP, SHPUK, KACP and BCC
	1.2	Support OEK in strengthening the capacities of its legal office and improving quality of services offered to its members	X	X	X	X	X	X	X	X	X	X				SAF program [2007]	OEK and OEK membership
	1.3	Train association executives in best association management practices [Host at least 6 association executives forums/training workshops during year four]		X		X	X	X			X	X				KCBS / MTL Team	AKA, KDPA, RCAK, AWPK, KAMP, SHPUK, KACP and BCC
Strengthened Business Consulting Capacities	2.1	Promote the business consultancy profession in Kosovo [Co-host with BAS a general conference on the future of consulting profession in Kosovo]	X	X												BAS	Local BSPs, BCC
	2.2	Develop a marketing program for consultants/BCC members [conditional upon BCC meeting grant suspension criteria]					X	X								KCBS / MTL Team	Local BSPs, BCC
Increased Use of Improved Business Practices	3.1	Training of business taxpayers from minority regions on practical implementation of VAT calculations and customs statements [12 largest companies trained]					X	X	X							SAF - sole source to Piramida	Businesses in the Minority regions
	3.2	Training of recently graduated economists/accounts on IAS/KAS standards [at least 12 students trained]								X	X	X					
	3.3	Training in the preparation of business plans for development projects [3-4 businesses trained]		X	X	X											
Women's issues	4.1	Upgrading facility for textile production in Gracanica/Laplje Selo	X												SAF program [2007]	AVENIJA	

3.4 CONSTRUCTION MATERIALS CLUSTER - PROJECTED RESULTS

Result Area	No.	Result Measure	Year Three Timeline												Resources Other Than LTTAs	Stakeholders		
			O	N	D	J	F	M	A	M	J	J	A	S				
Wood Processing	1.1	Unit production costs for new "Colonial" line of chairs at Tefik Canga decreased by 20%	X	X	X	X	X	X										Tefik Canga
	1.2	Assist Ukaj in installation of new EWF finishing line									X					STTA	Ukaj	
	1.3	Average monthly sales of EWF in first six months treble those achieved in last six months of Year Three	X	X	X	X	X	X								KCBS / MTL team	Korenica & Ukaj	
Forest Certification	2.1	Provide trainings in Forest Certification and establish a National Working Group	X	X	X			X							World Learning - already awarded	MAFRD, KFA, MESP, KPS		
	2.2	Forest Management Plans completed covering 10,000 ha in three forests, Ahiste, Decani and Jezerci			X			X						X	Norewegian Forestry Group, KFA	MAFRD, KFA, AWPK		
	2.3	Issue report on "Forest industry challenges of development and balanced use". Thereafter, advocate for changes in Govt policy regarding forest development and use.			X										SAF program [2007]	MAFRD, KFA, MESP, MEF		
Other Construction Materials	3.1	Average monthly production of 10 current KCBS clients [manufacturing concrete products, clay products and reinforcing steel] in 6 months [Jan - June 2008] increase 40% over those achieved in same period of Year Three		X		X	X	X	X	X	X				STTA at Tulltorija - already engaged	10 KCBS clients		
	3.2	Form a Working Group and present final proposals for gas purification by users of Heavy Fuel Oil to Govt.						WG			draft			final	OEK, RCAF, MTI, MESP, Client companies	Government & Client Companies		
	3.3	Complete workshops and seminars aimed at introducing Kosovar companies to current, best practices in roadbuilding, concrete production and procurement				X	X	X							RCAF & KACP	Client Companies		
	3.4	Average monthly production of 3 current KCBS clients [manufacturing Styrofoam Insulation Boards] in 6 months [April-Sept 2008] increase 40% over those achieved in same period of Year Three				X	X	X	X	X	X				SAF program [2007]	Fetoshi, Euro Fat, Kosova Plast		

3.2a.2 DAIRY CLUSTER - PROJECTED RESULTS - (Milk Processing)

Result Area	No.	Result Measure	Year Four Timeline												Resources Other Than LTTAs	Stakeholders
			O	N	D	J	F	M	A	M	J	J	A	S		
Improve Quality Control	2.1	At least 4 additional dairy processors achieve GMP standards in their operations by August 31, 2007	X	X	X	X	X	X	X	X	X	X	X	X	KVFA, KDPA	Dairy Processors, Consumers
	2.2	Successful compliance with the Raw Milk Quality Decree by all licensed dairy processors	X	X	X	X									KDPA, KVFA, MAFRD Livestock Dept.	Dairy Industry, MAFRD, Consumers
	2.3	Waste water treatment facility installed and functioning at the KABI new dairy plant near Gjlan.	X	X	X	X	X								Local BSP already engaged by KABI	KDPA, KAMP, KVFA, Dairy Procucers, MCC's
Improve Market Chain Linkages	3.1	Two new cream cheese products with total profitable sales volumes of 200 kg/month by August 31, 2008 successfully introduced.			X	X	X	X		X	X	X	X		Dairy Processors	Dairy producers, processors, traders,
	3.2	Cooperate with meat cluster to introduce a sustainable new sheep milk product at Sharri dairy processor in Prizren. It means profitable sales of the new product or line extension for at least 6 months of the year.								X	X	X	X	X	Sharri dairy processor	Sheep farmers, dairy industry, consumers

3.2a.1 DAIRY CLUSTER - PROJECTED RESULTS - (Milk Production)

Result Area	No.	Result Measure	Year Four Timeline												Resources Other Than LTTAs	Stakeholders
			O	N	D	J	F	M	A	M	J	J	A	S		
Increase Productive Capacity	1.1	5 dairy farmers trained in A.I. and practicing it.						X	X	X	X	X	X		MAFRD, KAMP, KCLB	Dairy farmers, Dairy Industry
	1.2	5 bull fattening farms established as serious beef producers. (10 bulls or more per cycle)	X	X	X	X	X	X	X	X	X				KAMP, Ag. Extension Staff	Dairy farmers, Beef farmers, Meat industry
Improve Quality Control	2.1	20 dairy farmers using the dairy accounting system on regular basis	X	X	X	X	X	X	X	X	X				KAMP, Ag. Extension Staff, local BSP	Dairy Farmers, dairy Industry, BSP's
	2.2	75% of EurepGap dairy farm guidelines introduced on at least 2 dairy farms	X	X	X	X	X	X	X	X	X				KAMP	Dairy Farmers, Consumers
	2.3	Conduct 10 regional training workshops in key agriculture regions of Kosovo on good dairy farm practices		X	X	X	X	X							Local Associations, Pristina Ag Faculty, KAMP	Local Associations, Pristina Ag Faculty, extension workers, municipal staff, private consultants
Strengthen Capacity to Access Credit	4.1	Assist 5 farmers in accessing credit via a leasing arrangement		X	X	X	X	X							Credit Institutions	Credit Institutions, farmers,

3.3 FRUIT & VEGETABLE CLUSTER - PROJECTED RESULTS

Result Area	No.	Result Measure	Year Four Timeline												Resources Other-Than LTTAs	Stakeholders	
			O	N	D	J	F	M	A	M	J	J	A	S			
Increase Productive Capacity	1.1	One nursery established for the mass production of vegetable transplants	X	X	X	X										SAF	Selected Grantee
	1.2A	Two training sessions conducted in the use of pneumatic orchard pruning equipment and in-row cultivator				X	X	X	X							Fruti Assoc.	UVB and Pema Assoc., Independent apple farmers, MAFRD & other donors
	1.2B	Three training sessions conducted in the use of drip irrigation for fruit tree nurseries and orchards						X	X	X	X					Five fruit tree nurseries in KAD	Fruit tree nursery owners
	1.3	Provide designs for energy-efficiency improvements in freezing and frozen storage and product processing flow, with studies of before-and-after handling costs				X	X	X								STTA Local BSP	Blueberry Exporters
Improve Quality Control	2.1A	Complete full HACCP certification for one F&V client	X	X	X											STTA - already engaged	Pestova
	2.1B	Two groups of potato farmers achieve EurepGAP food safety certification for crop production				X	X	X	X	X						STTA, Certification Agency	Agrocompani Assoc. and Farmers contracted to Pestova
	2.1C	Arrange case studies/visits of HACCP certified facilities in Serbia or Macedonia		X	X	X	X	X								HACCP certification agency in Serbia / Macedonia	KCBS Clients & Specialists
	2.2A	Three training sessions conducted in cold chain development using refrigeration equipment obtained in Year Three through SAF grants.	X	X	X											Scardus Company, As Promet and Agroprodukt Commerce	Handlers, Processors, Traders, Exporters and MAFRD
	2.2B	Two training sessions conducted on the long-term cold storage of apples, using refrigerated chambers established in Year Three through SAF grant.				X	X	X								UVB	Fruti and Pema Assoc., independent apple farmers, MAFRD & other donors
	2.2C	Arrange visits in regional countries to F&V cold chain facilities, especially pre-cooling facilities		X	X												Refrigeration engineering companies, traders, exporters & processors
	2.2D	Establish a pressure (forced air) pre-cooler for fresh F&V			X	X	X	X	X	X	X					SAF	Experienced F&V Traders and Exporters
Improve Quality Control [cont]	2.3	Conduct 5 training sessions in post-harvest handling of fresh F&V using G/S/P equipment obtained through grants and donations in Year Three								X	X	X			Agrocompani, Pema, Juniperi Fructus, Agroprodukt Commerce and farmer-traders with manual G/S/P tables	Farmers, Handlers, Processors, Traders, Exporters and MAFRD	

F and V Year Four Work Plan

3.3 FRUIT & VEGETABLE CLUSTER - PROJECTED RESULTS

Result Area	No.	Result Measure	Year Four Timeline												Resources Other-Than LTTAs	Stakeholders		
			O	N	D	J	F	M	A	M	J	J	A	S				
Improve Market Linkages	3.1A	Issue a guide for Kosovo blueberry exporters and a brochure for foreign buyers of Kosovo blueberries.								X	X	X					Local BSP	Blueberry Exporters
	3.1B	Conduct an in-depth study of the international markets and marketing of raspberries, blackberries and currants	X	X	X												Local BSP	Farmers, collection centers, handlers and exporters currently handling blueberries
	3.1C	Assist two modern cooperatives with marketing linkages leading to 25% increase in sales over 2006	X	X	X	X	X	X	X	X	X	X	X	X	X		KCBS/MTL Team	Agro-Qyshku and Agrovita
Strengthen Capacity to Access Credit	4.1	Provide support to loan officers at financial institutions and guidance to F&V farmers as borrowers, leading to at least 5 loans per Quarter	X	X	X	X	X	X	X	X	X	X	X	X		Commercial Banks and Micro-Finance Institutions	Farmers	

KOSOVO CLUSTER AND BUSINESS SUPPORT

WORK PLAN – YEAR FOUR

YEAR ENDING: 30 SEPT. 2008

ANNEX 1

SCHEDULE OF PROJECTED RESULTS

3.2b MEAT CLUSTER - PROJECTED RESULTS

Result Area	No.	Result Measure	Year Four Timeline												Resources Other-Than LTTAs	Stakeholders
			O	N	D	J	F	M	A	M	J	J	A	S		
Increase Productive Capacity	1.1	Successfully import 22 purebred Lacaune sheep and complete research trials with Pristina Ag.	X	X	X	X	X	X	X	X	X	X	X	X	SAF program [2007], Agriculture Faculty	Sheep Farmers and Consumers
Improve Quality Control	2.1	GMP installed in at least one meat processor by July 2008				X	X	X	X	X	X	X		STTA, KVFA	Meat processors, MAFRD and Consumers	
Improve Market Chain Linkages	3.1	10 sheep farmers supplying Sharri dairy processor in Prizren with milk at least 6 months out of the year			X	X	X	X	X	X	X	X	X	KVFA; MAFRD, Sharri dairy processor, SAF Program [2007]	Sheep farmers, Sharri dairy processor,	
	3.2	Facilitate at least one truckload export shipment of lambs.						X	X	X	X	X	X	KVFA; MAFRD, Delfin Co.	Sheep farmers, Government of Kosovo	
Strengthen Capacity to Access Credit	4.1	At least five sheep farmers keeping good records with a business plan developed	X	X	X	X	X	X	X	X	X			Local BSP	Sheep farmers	

3.5 MARKETING AND TRADE LINKAGES - PROJECTED RESULTS

Result Area	No.	Result Measure	Year Three Timeline												Resources Other Than LTTAs	Stakeholders	
			O	N	D	J	F	M	A	M	J	J	A	S			
Expand Linkages	1.1	Complete trade promotion trip to Serbia and Macedonia [by end March] leading to new sales by end August of 300,000 euros			X	X	X	X						X	USAID Programs in Serbia and Macedonia	KCBS Cluster Clients: F&V, Livestock, Construction Materials	
	1.2	Sponsor a second marketing and linkages conference producing at least 10 business transactions				X	X	X	X							KCBS clients	
Provide Marketing Assistance	2.1	Complete market study on the demand for locally produced dairy products in Kosovo.	X	X	X	X									Local BSP	KDPA, Livestock	
	2.2	Place at least 10 interns in KCBS client organizations for three months								X	X	X	X		UBT, AUK, Univ of Pristina	KCBS clients, OEK	
Promote New Products	3.1	Promote launch of cream cheese product for Bylmeti		X	X											Bylmeti	
	3.2	Prepare KCBS clients for effective presentations of new products															KCBS Cluster Clients: F&V, Livestock, Construction Materials
		Client Brochures	X	X	X										Local BSP		
		Packaging		X	X	X									STTA/ Agency from Serbia		
		Product Promotional Presentations					X	X	X								
		Trade Show Preparation Assistance							X	X	X						
3.3	Test US Market interests among Diaspora for Stone and Marble, Follow-up with Hungary buyer leads	X	X	X	X	X	X	X	X	X	X	X	X	MTI / IPAK	Quarry Companies, International Investors		

3.2d POULTRY [INCL. FEED MANUFACTURING] CLUSTER - PROJECTED RESULTS

Result Area	No.	Result Measure	Year Four Timeline												Resources Other Than LTTAs	Stakeholders		
			O	N	D	J	F	M	A	M	J	J	A	S				
Increase Productive Capacity	1.1	Breeder farm meeting industry standards or better.	X	X	X	X	X	X									SHPUK, MAFRD, UNMIK Customs	Poultry Industry, Consumers
	1.2	Replacing 50% of former imports of layer hen chicks and fertilized eggs. Cost of replacement chicks reduced by at least 15% compared to imports				X	X	X	X	X	X	X	X				SHPUK, MAFRD, UNMIK Customs	Poultry Industry, Consumers
	1.3	Feed trials at a selected animal producers showing a 10% cost savings by Jan. 31, 2008 by using pelletized feed.	X	X	X	X											SHPUK, KAMP, Private Laboratory	Poultry Meat & Egg Producers, Feed Manufacturers, Livestock Industry
	1.4	Increased sales of pelleted feed to 25% of Jazi's total volume by August 31, 2008								X	X	X	X	X			SHPUK	Poultry Meat & Egg Producers, Jazi, Livestock Industry
	1.5	Supply 20% of the Kosovo fresh poultry meat market by August 31, 2008. (about 400,000 kg.)		X	X	X	X	X	X	X	X	X	X	X			SHPUK, Producers, STTA	Broiler Producers, SHPUK, Consumers
Improve Quality Control	2.1	Develop plan with MAFRD for phased in approach to enforcing egg quality and grading standards.				X	X	X	X	X						SHPUK, MAFRD	Poultry Producers, MAFRD	
	2.2	3 poultry farms successfully using new accounting software by Jan. 31, 2008 2 more large poultry farms successfully using new accounting software by March 31, 2008	X	X	X	X		X								SAF program [2007] SHPUK	Poultry Producers, SHPUK	

PRELIMINARY TASKS/PROJECTS IDENTIFIED FOR STTA ASSIGNMENTS IN YEAR FOUR

Ref.	Results Measure Associated with Task to be performed by STTA.	Type of STTA	Cluster	Month in which STTA will mobilize
------	--	-----------------	---------	---

STTAs - Expatriates and TCNs

3.2b - 2.1	Assist one meat plant in introducing GMP standards preparatory to future HACCP certification	TCN [Katerina]	Livestock	March
3.2c - 2.3	Support to alfalfa seed multiplication trials	US [Jim Stanele]	Livestock	April
3.2d - 1.5	Support to the development of the broiler industry in Kosovo	US [Dr. Bakalli]	Livestock	April
3.3 - 1.3	Provide designs for energy-efficiency improvements in freezing and frozen storage refrigeration and product processing flow.	US Refrig Eng.	F&V	January
3.3 - 2.1A	Complete full HACCP certification for one F&V client - already engaged	TCN [Vlado]	F&V	October
3.3 - 2.1B	Two groups of potato farmers achieve EurepGAP food safety certification for crop production	TCN EurepGap Sp	F&V	January
3.4 - 1.2	Assist Ukaj in installation of new EWF finishing line	TCN [Kuo]	Construction Materials	June
3.4 - 3.1	Assist Tulltorija in reengineering production for manufacture of clay products - already engaged	TCN [Dr. Eberz]	Construction Materials	November
3.5 - 3.2	Prepare KCBS clients for effective packaging of new products	TCN ex Serbia	MTL	December

Local Business Service providers

3.2a1 - 2.1	Assistance to KAMP in wider introduction of dairy farm record keeping systems	Local BSP	Livestock	Dec - May
3.2b - 4.1	Assistance to sheep farmers in wider introduction of dairy farm record keeping systems	Local BSP	Livestock	
3.3 - 1.3	Conduct studies of before-and-after handling costs following introduction of energy-efficient improvements in refrigeration	Local BSP	F&V	January
3.3 - 3.1A	Issue a guide for Kosovo blueberry exporters and a brochure for foreign buyers of Kosovo blueberries.	Local BSP	F&V	April
3.3 - 3.1B	Conduct an in-depth study of the international markets and marketing of raspberries, blackberries and currants	Local BSP	F&V	October
3.5 - 2.1	Complete market study on the demand for locally produced dairy products in Kosovo	Local BSP	MTL	November
3.5 - 3.2	Prepare KCBS clients for effective presentations of company brochures	Local BSP	MTL	November

KOSOVO CLUSTER AND BUSINESS SUPPORT

WORK PLAN – YEAR FOUR

YEAR ENDING: 30 SEPT. 2008

ANNEX 2

PRELIMINARY TASKS/PROJECTS IDENTIFIED

FOR STTA ASSIGNMENTS

KOSOVO CLUSTER AND BUSINESS SUPPORT

WORK PLAN – YEAR FOUR

YEAR ENDING: 30 SEPT. 2008

ANNEX 3

PRELIMINARY TASKS/PROJECTS IDENTIFIED

FOR SAF FUNDING

PRELIMINARY TASKS/PROJECTS IDENTIFIED FOR SAF FUNDING IN YEAR FOUR

Ref.	Summary Description of Project to be Funded	Cluster	Provisional Estimated Cost
3.2c - 1.1	Pasture improvement	Livestock	€3,000
3.2c - 1.2	Alfalfa seed multiplication	Livestock	€2,000
3.2c - 2.1	Pesticides residue demonstration and training program	Livestock	€3,500
3.3 - 1.1	Equipment for mass production of vegetable transplants	F & V	€25,000
3.3 - 2.2d	Forced-air pressure pre-cooler for fresh fruits and vegetables	F & V	€25,000
4.0 - 1.1	Support to associations in developing work plans and revenue generation programs	BSS	€40,000
4.0 - 3.1	Training of business taxpayers from minority regions on practical implementation of VAT calculations and customs statements	BSS	€4,000
4.0 - 3.2	Training of recently graduated economists/accounts on IAS/KAS standards	BSS	€6,000
4.0 - 3.3	Training in the preparation of business plans for development projects	BSS	€6,000

Tentatively Planned for Minority Areas

	Add closed pipeline milking system and complete demonstration farm in Leposavic	Livestock	€18,000
	Provide equipment to complete animal slaughtering facility in Leposavic.	Livestock	€20,000
	Construction and equipping of new production facility to make new plastic egg containers in Mitrovica.	Livestock	€36,000
	Project to support recycling of waste construction materials e.g. asphalt and concrete in Zvecan	Construction Materials	€35,000
	Expand wood processing to reduce imports of similar semi-finished products in Zubin Potok.	Construction Materials	€40,000
	Support two Women's Associations to set up a sustained recycling program in Mitrovica.	BSS	€10,000
	Rehabilitate dairy enabling production of profitable line of yoghurt in Strpce.	Livestock	€5,000
	Establish poultry and feed manufacturing facility for returnees in Babush village.	Livestock	€20,000
	Provision of equipment to Serb farmers' associations	Livestock	€15,000
	Develop collection centers handling mushrooms, juniper berries, rosehips, blueberries etc. in three Municipalities	F & V	€110,000
	Clean-up of trash from such places as river beds, ditches, around residential complexes.	Construction Materials	€68,000

Anticipated USAID Approval
November
December
November
December
March
Jan - Apr
February
April
November

November
December
December
October
October
November
November
January
October
December
October

KOSOVO CLUSTER AND BUSINESS SUPPORT

WORK PLAN – YEAR FOUR

YEAR ENDING: 30 SEPT. 2008

ANNEX 3

PRELIMINARY TASKS/PROJECTS IDENTIFIED

FOR SAF FUNDING

PRELIMINARY TASKS/PROJECTS IDENTIFIED FOR SAF FUNDING IN YEAR FOUR

Ref.	Summary Description of Project to be Funded	Cluster	Provisional Estimated Cost
3.2c - 1.1	Pasture improvement	Livestock	€3,000
3.2c - 1.2	Alfalfa seed multiplication	Livestock	€2,000
3.2c - 2.1	Pesticides residue demonstration and training program	Livestock	€3,500
3.3 - 1.1	Equipment for mass production of vegetable transplants	F & V	€25,000
3.3 - 2.2d	Forced-air pressure pre-cooler for fresh fruits and vegetables	F & V	€25,000
4.0 - 1.1	Support to associations in developing work plans and revenue generation programs	BSS	€40,000
4.0 - 3.1	Training of business taxpayers from minority regions on practical implementation of VAT calculations and customs statements	BSS	€4,000
4.0 - 3.2	Training of recently graduated economists/accounts on IAS/KAS standards	BSS	€6,000
4.0 - 3.3	Training in the preparation of business plans for development projects	BSS	€6,000

Tentatively Planned for Minority Areas

	Add closed pipeline milking system and complete demonstration farm in Leposavic	Livestock	€18,000
	Provide equipment to complete animal slaughtering facility in Leposavic.	Livestock	€20,000
	Construction and equipping of new production facility to make new plastic egg containers in Mitrovica.	Livestock	€36,000
	Project to support recycling of waste construction materials e.g. asphalt and concrete in Zvecan	Construction Materials	€35,000
	Expand wood processing to reduce imports of similar semi-finished products in Zubin Potok.	Construction Materials	€40,000
	Support two Women's Associations to set up a sustained recycling program in Mitrovica.	BSS	€10,000
	Rehabilitate dairy enabling production of profitable line of yoghurt in Strpce.	Livestock	€5,000
	Establish poultry and feed manufacturing facility for returnees in Babush village.	Livestock	€20,000
	Provision of equipment to Serb farmers' associations	Livestock	€15,000
	Develop collection centers handling mushrooms, juniper berries, rosehips, blueberries etc. in three Municipalities	F & V	€110,000
	Clean-up of trash from such places as river beds, ditches, around residential complexes.	Construction Materials	€68,000

Anticipated USAID Approval
November
December
November
December
March
Jan - Apr
February
April
November

November
December
December
October
October
November
November
January
October
December
October

KOSOVO CLUSTER AND BUSINESS SUPPORT

WORK PLAN – YEAR FOUR

YEAR ENDING: 30 SEPT. 2008

ANNEX 4

SUBJECTS FOR BI-WEEKLY E-NEWSLETTER

SUBJECTS FOR E-NEWSLETTER in YEAR FOUR

OCTOBER - MARCH EDITIONS

Cluster	Type	Subject - rough title	Author	Mo.
BSS	M	New financing products - leasing and POF	Martin	O1
BSS	Sh	Importance of business plans	Safo	O1
FV	Sh	Training of 40 loan officers in lending to production agriculture	Paul	O1
CM	M	Support for professional practices in road construction	Martin	O2
L	Sh	Role of KAMP in Kosovo's agricultural sector	Mentor	O2
FV	Sh	Publication of book on "Practical Orchardng"	Paul	O2
L	M	Implementation of Raw Milk Quality Decree	Al	N1
L	Sh	Seed multiplication for Kosovo farmers	Al	N1
L	M	Decorative and dimensional stones	Martin	N1
CM	M	Effect of elimination of 10% import tax	Martin	N2
CM	Sh	Development of Association of Concrete Producers	Martin	N2
BSS	Sh	Training of accountants in minority areas	Safo	N2
FV	M	Introduction of HACCP at F&V processors	Paul	D1
BSS	Sh	NGO "Lady"	Martin	D1
FV	Sh	Increased production of fruit tree saplings at five nurseries	Paul	D1
CM	M	Development of Engineered Wood Flooring	Martin	D2
BSS	Sh	Development of Association of Wood Processors	Safo	D2
CM	Sh	PET recycling	Martin	D2
CM	M	Support to Forest Certification	Martin	J1
L	Sh	Pasture improvement	Al	J1
CM	Sh	Reviving the sheep industry	Al	J1
L	M	Introduction of HACCP at dairy processors	Al	J2
L	Sh	Essentials of improved quality control in milk production	Al	J2
L	Sh	Role of the MCC in Kosovo's dairy industry	Al	J2
MTL	M	Benefits from marketing trip to Albania and Montenegro	Todd	F1
MTL	Sh	Importance of packaging and labeling in modern marketing	Todd	F1
BSS	Sh	Development of Business Consulting Council	Safo	F1
BSS	M	The informal economy	Martin	F2
FV	Sh	Achievement of year-round potato chip production at Pestova	Paul	F2
FV	Sh	Obtaining EurepGAP certification for farmers growing potatoes	Paul	F2
FV	M	Creating a Kosovo-wide Blueberry Cluster	Paul	M1
L	Sh	Improvements in agricultural inputs	Al	M1
L	Sh	New cheeses introduced at Kosovo dairies	Al	M1
FV	M	Implementation of Grading/Sizing/Packing of Fresh F&V	Paul	M2
FV	Sh	Improved apple production at Fruti Association	Paul	M2
FV	Sh	Higher prices for apples held in four cold storage chambers	Paul	M2

The Author is responsible for getting all necessary input from different members of KCBS

Main : 500 - 600 words

Short : 250 - 300 words

Need always to give credit to other donor programs with whom we have worked

Need to check out article with enterprise(s) which it concerns most

KOSOVO CLUSTER AND BUSINESS SUPPORT

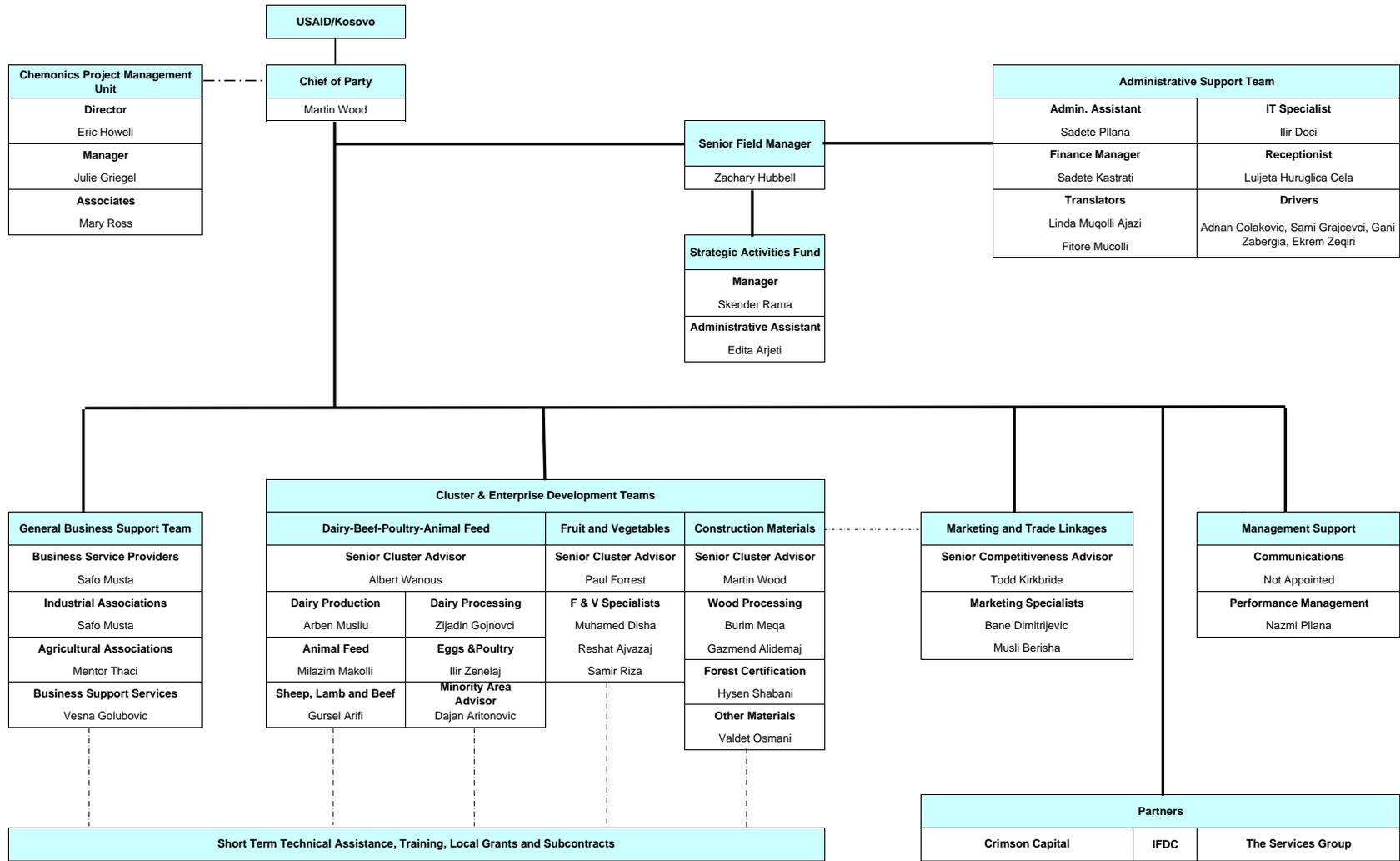
WORK PLAN – YEAR FOUR

YEAR ENDING: 30 SEPT. 2008

ANNEX 5

STAFFING PLAN FOR KCBS PROJECT

STAFFING PLAN FOR KOSOVO CLUSTER AND BUSINESS SUPPORT PROJECT



KOSOVO CLUSTER AND BUSINESS SUPPORT

WORK PLAN – YEAR FOUR

YEAR ENDING: 30 SEPT. 2008

ANNEX 6

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)
ADA	Austrian Development Agency
AKA	Alliance of Kosovo Agri-businesses
AMIK	Association of Microfinance Institutions of Kosovo
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
BPB	Bank for Business
BPK	Banking and Payment Authority of Kosovo
BSI	British Standards Institution
BSP	Business Service Provider
CAN	Calcium Ammonium Nitrate
CBAK	Central Bank of Kosovo
CEFTA	Central European Free Trade Agreement
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
FQT	Forage Quality Testing
FSC	Forest Stewardship Council
GHP	Good Hygienic Practices
GMP	General Manufacturing Practices
GTZ	German Society for Technical Cooperation
HACCP	Hazard Analysis and 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 Bankers Association
KCLB	Kosovo Center for Livestock Breeding
KCBS	Kosovo Cluster & Business Support
KDC	Kosovo Development Center
KDPA	Kosovo Dairy Processors Association
KEK	Kosovo Energy Corporation
KEP	Kosovo Enterprise program
KFA	Kosovo Forest Agency
KODAA	Kosovo Agricultural Input Dealer Association
KPS	Kosovo Police Service
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
MFI	Micro Finance Institution
MM	Millions
MOU	Memorandum of Understanding
MT	Metric Tonnes
MTI	Ministry of Trade and Industry
MTPT	Ministry of Transportation, Posts and Telecommunications
NGO	Non-Governmental Organization
NIR	Near Infrared Reflectance
NPK	Compound Fertilizer (Nitrogen-Phosphorus-Potassium)
OEK	Chamber of Commerce of Kosovo
PET	Polyethylene terephthalate
POF	Purchase Order Finance
PPD	Private Public Dialog
QA/QC	Quality Assurance/Quality Control
RAS	Rural Advisory Services
RBKO	Raiffeisen Bank of Kosovo
RCAK	Kosovo Association of Road Constructors
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 Advisor
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