

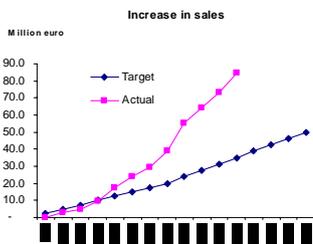


## QUARTERLY REPORT QUARTER ENDING: 30 SEPTEMBER 2007

### KOSOVO CLUSTER AND BUSINESS SUPPORT PROJECT



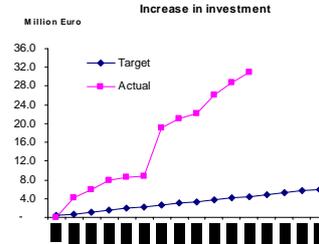
**Increase in Sales**  
(million Euro)



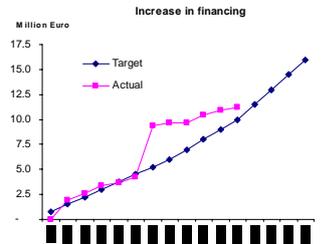
**Increase in Jobs**  
(Full-time Equiv)



**Increase in Investment**  
(million Euro)



**Increase in Financing**  
(million Euro)



11 October 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.

# QUARTERLY REPORT QUARTER ENDING: 30 SEPTEMBER 2007

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Kosovo Cluster and Business Support project: "Quarterly Report for Quarter Ending 30 September 2007"  
Contract No. AFP-I-00-03-00030-00, TO #800

This report submitted by Chemonics International Inc. / 11 October 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.

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## EXECUTIVE SUMMARY

The KCBS project continues to exceed the targets set for it at the start of the program. The cumulative changes in primary indicators in the 36 months of the project to date, and attributable to KCBS interventions, are:

- An increase in the value of the sales over baseline of €84.5 million.
- An increase in employment of 4,199 new jobs
- An increase in capital investment of €30.9 million
- An increase in the value of financing of €11.2 million

It is important to record that credit for the achievements of the KCBS program is owed to the Kosovo business owners who have responded to the challenges in the private sector of promoting economic growth in Kosovo. KCBS has merely been a facilitator and advisor to assist the businesses in taking the most appropriate action to maximize their positions in the market. More and more these actions are being taken independent of KCBS intervention. This is the greatest success of the program.

Improvements in all indicators for the Livestock cluster accelerated. In the last quarterly report, we noted that typically of the summer season, more milk was being produced than could be sold. However, as the summer progressed, the consequences of the drought became more severe. The drought has significantly reduced the grain and fodder that will be available for animal feed this year. The situation is even worse concerning corn for grain and silage as corn is very dependent on timely rains in July and August which were not received. This is having a significant impact on the corn crop development as only a relatively small number of hectares are under irrigation. Prices of both crops have increased between 50% and 100%. There will be longer-term impacts on the price of local meat as well. Short term there could be a depressing effect on meat prices as farmers sell off livestock for lack of feed. However this could result in longer term increases in price of 50% or more until the livestock herds are built back up to normal levels.

KCBS continued to broaden its farm base for improving milk quality delivered to processors. The successful introduction and operation of the KVFA laboratory, and the start of a mastitis control pilot program by KCBS, gave practical support to KCBS recommendations for improved hygienic practices. The laboratory performs chemical and bacteriological analyses of raw milk using state-of-the-art equipment for high speed testing of somatic cell and bacteria counts in milk, and now provides continuous and reliable service to the Kosovo dairy industry. Further improvements at the farm level were made possible by a change of policy at Raiffeisen bank, advocated by KCBS, whereby Raiffeisen reduced their minimum loan policy to €2,000. To date Raiffeisen has disbursed 88 loans amounting €307,500 in the range of €5,000 to €2,000.

KCBS installed Good Hygienic Practices at six milk collection centers [MCC], and Good Manufacturing Practices [GMP] at five dairy processors. One of these processors, Bylmeti, should become HACCP certified before end November. KCBS assisted dairies in the marketing of new cheese products and started giving attention to better packaging and labeling.

KCBS also supported the installation of GMP at two meat processors by issuing a pre-requisite checklist of action to be taken. GMP implementation will be monitored intensely next quarter. KCBS prepared a plan to establish a high value, intensive, profitable sheep product value chain in the Prizren and Dragash areas with the Sharri dairy processor in Prizren as heart of the chain. The project includes ten larger sheep farmers and two MCCs.

Despite the drought, KCBS maintained its program of testing for new varieties of crops. Trials demonstrated the economic viability of alfalfa seed multiplication, and three private seed distributors indicated an interest to expand seed multiplication in the future. Farmers who followed KCBS' recommendations on improved pasture management practices obtained increased pasture yields of 75%.

KCBS supported the establishing of the first operation for breeding “layers” for the poultry industry. During September four hatches were completed with 30,000-day-old chicks sold. The results of testing were better than expected, proving over 90% hatchability, while the breeder producer standard is 85%. Gjini Tag plan to incubate/ hatch 7,680 female chicks per week. KCBS also assessed the situation regarding broiler breeder farms. KoniSoni in their facilities in Gjilan have installed equipment for broiler production; they intend to purchase day old chicks from Taka. The problem of an appropriate slaughterhouse for broilers remains since LGB – Gjilan, the only poultry slaughterhouse in Kosovo, is not privatized at this point, and in any case it has gross over-capacity to be profitably operated. KCBS also worked with the poultry and feed industry in lowering the cost of production and improving the quality of the product through introducing feed formulation software, and funding the first feed pelletizer in Kosovo.

KCBS continued to focus on the post-harvest handling and processing of fruits and vegetables [F & V]. As noted earlier, the summer of 2007 was considerably hotter and dryer than usual. In general, the effects of this unusual weather depressed yields of all F & V crops in Kosovo by half. Even crops, which are irrigated, as are some apple orchards and outdoor vegetable crops, suffered decreased yields in the range of 20 – 30%. Yields of some plants, such as high elevation wild blueberries, probably were off by more than 60%. Crops, which were not irrigated, were mostly a complete loss. One off-setting impact was that, due to limited production of many crops, especially fruits and vegetables, market prices were higher than normal. Greenhouse vegetable producers, in particular, obtained prices 25 – 50% higher than normal. Nevertheless, for the average Kosovo farmer, the climate impact was a serious catastrophe.

Investments in the fruits and vegetables cluster were made through several cost sharing grants: UVB Association in Blagaje – Peje converted four conventional farm apple storerooms to refrigerated storage chambers; members of Agrocompani Association in Qyshke – Peje, procured and commissioned a semi-automated grading/sorting/packing line for apples and onions; Juniperi Fructus in Dragash modified their facility for handling berries and mushrooms, collected from the wild, resulting in acquisition of a cleaning and calibrating machine and a wood-fueled tunnel dryer; and construction was completed at As Promet in Northern Kosovo for a new building that will meet HACCP food safety standards for processing and cold or frozen storage of mushrooms, blueberries and raspberries.

Two investments were particularly significant for Kosovo. Construction was completed in August on a facility in Strpce (a minority area) for freezing and storing frozen blueberries. Because this facility can handle a wide array of products, it will expand the duration of the collection season thereby providing longer-term employment and incomes for the collectors. An added benefit of this new facility will be to stimulate the creation of new value chains for Kosovo products through the planting of other berries which have known market potential, especially cane berries such as raspberries, blackberries, and red and black currents. A second investment in a large capacity machine for cleaning and calibrating blueberries by Agroprodukt Commerce in Podujeve was part of a facility overhaul which led to the company becoming the first food processor in Kosovo to receive full HACCP certification.

Due to KCBS efforts begun in the spring, blueberries were collected by more people than ever this summer and fall. The collection centers were more organized and exporters’ facilities were better prepared than in 2006. Unfortunately, due to the unusually warm winter and exceptionally hot, dry summer, the harvest lasted about half the normal duration. Nevertheless, exports still amounted to over €900,000.

Specialists in both agricultural clusters devoted time to introducing better record keeping at their clients’ businesses. Farmers were persuaded at field days and workshops that their chances of obtaining necessary financing would be improved if they can readily show loan officers well-maintained records of production, sales, inventories and costs, as well as cash flow projections. KCBS also held seminars with loan institutions’ representatives at which the particularities of lending to agricultural business were explained. Both sides are now better prepared for dialog and negotiations.

KCBS continued to try and make good the loss of the Swedeco market for engineered wood flooring [EWF] by promoting the product in meetings with construction companies, flooring traders in Kosovo, and individuals inquiring about the product for their housing needs. Efforts were also made, with some success, to promote the product in Albania. Further help was given to wood processing companies in improving production practices and streamlining their process flows with the aim of reducing their costs of production.

KCBS met frequently with Kosovo Forest Agency [KFA] management, regional KFA offices and Municipal Units and other parties involved in the management of Kosovo forests. Main goal of these meetings was to provide KFA teams with technical support in order to make the necessary improvements in forest management as defined in the KCBS STTA's report "Evaluation of Forest Management in Kosovo Publicly Owned Forests". The KFA must achieve the preconditions for applying for forest management group certification with FSC standards in areas foreseen for certification. When the Kosovo Government approved an appropriation of €374,716 within MAFRD to be invested in forest protection, KCBS believed that progress had been made in raising the profile of the forest certification issue. Unfortunately, this appropriation did not result in more budget for MAFRD, and the objectives for which this funding was required are not being addressed as planned.

KCBS delivered assistance to the former socially owned enterprise [SOE], Tulltorja, a producer of clay hollow blocks and solid clay bricks. Little attention was given to Silcapor (autoclaved aerated blocks) and FAN (steel mesh producer) who are now successfully operating. The fourth former SOE, Trasing, which KCBS had identified for assistance, had a lack of investment capital and apart from some minor investments in order to upgrade existing quarry, they have delayed further investments until the 2008 construction season.

Tulltorja's immediate action plan is to upgrade existing machinery and increase production. Over €120,000 was invested on maintenance and repair but since there is no professional maintenance staff in Kosovo the investments did not achieve the expected results. Many delays in repair works resulted in considerable loss of production. Further specialized assistance is required. Nevertheless, the company started with construction of a 4,000 m<sup>2</sup> building for a new production line, which will provide significant import substitution next year. KCBS is also providing technical assistance to the insulation board industry. We contracted a design company to prepare a CD/DVD, brochures containing technical specifications, handling data and detailed sketches and information about insulated material "Styrofoam" with the goal of promoting Kosovo manufacturers and to ensure that design and construction companies use the correct technical specifications. This initiative, too, will provide significant import substitution next year.

KCBS continues to strengthen business associations enabling them to remain sustainable in the long term. Their dependence on donor funds diminishes, and the two associations of wood processors and of concrete producers, in particular are gaining full independence. KCBS worked with eleven associations and injected support through grants for specific activities – trade shows, training sessions, creating new services, and advocacy campaigns. KCBS was especially pleased to support an Alliance of Kosovo Business [AKB] initiative to address the problem of the Informal Economy in Kosovo. This was an outcome from the Private-Public Dialog, which KCBS had orchestrated in 2005.

In order to evaluate the impact from the Marketing & Linkages Conference held in March and the Linkages trip to Albania and Montenegro in June, KCBS conducted an audit among its clients and linkage partners to identify any deals, outstanding leads or incomplete follow-up that KCBS may assist with in order to secure sales for Kosovo business. Knowing that statistically it takes 18 months on average for linkages to mature into solid business transactions, Kosovo appears to be no exception. Although many companies have acknowledged the value of the presentations and the business contacts made, only approx. €40,000 transactions have resulted thus far from linkages. Consistent hand-holding and pressure is being applied to KCBS clients to follow-up on the sales calls made on their behalf but many seem strapped for time, cash and production capacity to realize any linkages in the short-term.

KCBS proposed to USAID/EDEM project in Albania a Business-to-Business (B2B) conference to provide a platform for contacts between respective clients. Targeted clusters that were to be represented include: Fruits & Vegetables, Medicinal Herbs, Olive Oil, Dairy and Processed Meat. Key regional and European buyers would be invited along with key companies dealing with transportation and packaging and customs officials from Kosovo and Albania to discuss the logistics processing of export/import. EDEM requested a postponement of the event from the initially targeted time of November until 2008. KCBS has also cooperated with USAID's Regional Competitiveness Initiative program (RCI), advising them on potential activities to benefit regional programs. KCBS hosted an RCI representative for five days in Kosovo. Numerous meetings were arranged with local staff, visits to various KCBS clients made, local research conducted with retailers, and reports produced by other donor organizations collected and distributed.

The five financial institutions, (three banks and two microfinance institutions), which had been trained to introduce leasing and purchase order financing to the market over the past nine months, continued to prepare their organizations and initiate internal structures and procedures to roll out these products. Delays have occurred due to the Nova Lubljanska Banka buyout of the New Bank of Kosovo and Kasa Bank. An expansion of the initiative to other financial institutions has been postponed until the benefits from this first round have been evaluated.

During the project to date, KCBS has awarded 58 fixed price subcontracts [52 completed], 53 grant agreements [23 completed], and 4 material procurement contracts [3 completed] for a total award of \$2,094,549; of this, \$1,741,627 has been disbursed. On the last day of the quarter, Modification No. 5 to the Contract increased the Strategic Activities Fund [SAF] by \$318,692, to a total of \$2,818,692. The amount awarded represents 74.3% of the revised SAF budget.

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

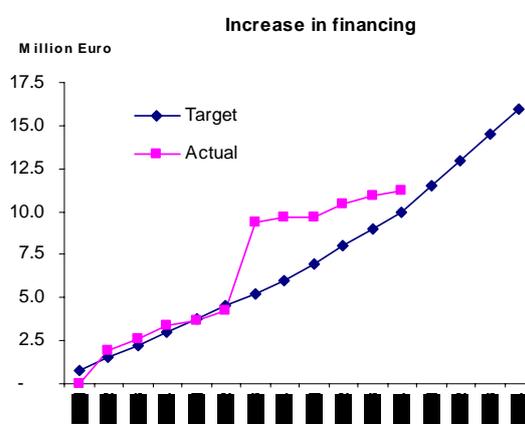
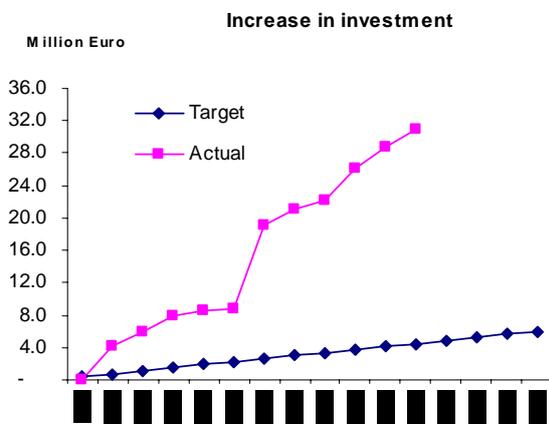
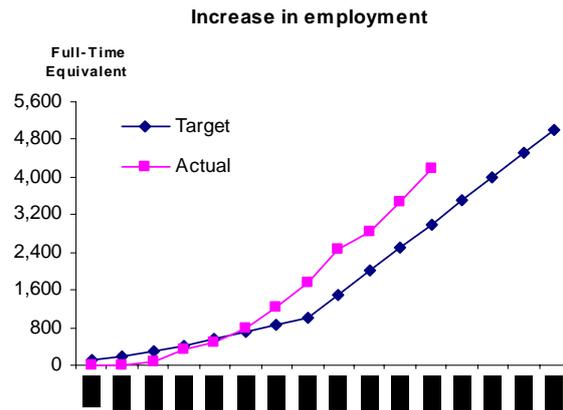
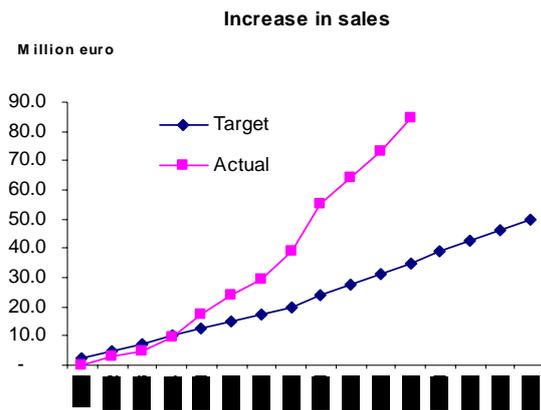
A Glossary of Acronyms is appended at the end of this Report.

# PERFORMANCE SUMMARY

Cumulative changes to date in primary indicators

After 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% <sup>1</sup>
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



<sup>1</sup> 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 €183,427,960 and total annualized baseline figure for companies is €10,316,252.

## 1.0 WORK PLAN RESULTS ACHIEVED

### 1.1 Projected Results Achieved

In the Work Plan for Year Three, there were a number of Projected Results defined, which were to be achieved in the year that ended 30 September 2007. Although some of these were due to have been completed in earlier quarters, if their completion has been delayed, their status is reported here for the record.

The following results were achieved:

- 20 farmers adopt new technologies/practices as a result of demonstration farm visits and training. *[Substantially Achieved - three dairy farmers have installed closed pipeline-milking systems while 15 farmers did one or more of the following; improved ventilation, lighting or bedding of the dairy barn or built wooden hutches for raising calves].*
- Assist in establishing one laboratory for testing raw milk quality, especially to facilitate mastitis control. *[Achieved - The KVFA laboratory for testing milk quality is established and operating on a continuing basis. The rapid response mastitis control pilot system was completed in September 2007. The system will continue with some refinement].*
- Help commercial banks and MFI to develop a dairy equipment finance program, Have at least one in place by Dec. 31, 2006. *[Achieved – And during the year, Raiffeisen Bank was convinced to lower their minimum loan threshold from €5,000 to €2,000 for farm loans on milking equipment and related. YTD they have made 88 loans with a total value of €307,500 all within the €2,000 to €5,000 loan amount range.].*
- Establish one new local consulting company capable of providing technical support to dairy processors. *[Achieved - An existing company, Fauna, was assisted in acquiring the ability to provide pest control services for dairy processors and other food companies. Consult company from Gjakova was identified as a waste water treatment consulting company].*
- At least two dairy processor clients testing finished products in a credible laboratory on a routine (at least monthly) basis. *[Achieved - Five dairy processor clients are continuing to test 3 to 5 finished products on a monthly basis at the Land O Lakes Skopje laboratory].*
- 2 dairy processor clients complete GMP installation. *[Achieved – Bylmeti has completed GMP installation. Golaj is in the process and expects to complete installation by year end. Abi has completed the written documentation for GMP but will not be able to practice all requirements until their plant privatization process is completed].*
- 6 MCCs supplying 2 dairy processor clients complete GHP installation. *[Achieved – GHP have been installed in the following MCC's; Orllan, Krusha E Vogel, Krusha E Madhe, Mamusha, Bec, Krelan and Korenica. They supply 5 different dairy processors].*
- Improve the packaging design, labeling and marketing of dairy products at 3 processors in order to increase project Year 3 sales over Year 2 sales by 10%. *[Achieved - KCBS assisted Abi with white cheese, Bylmeti with cheese and Golaj with cheese and yogurt. All have increased sales by more than 10% year on year due in part, but not solely, to this assistance.].*
- Help at least one dairy processor successfully enter the sheep cheese market on a sustainable basis. *[Achieved - KCBS linked Sharri dairy plant with six larger sheep farmers from Prizren region. The dairy plant purchased 600 liters per day of sheep milk and processed it into Sharri Cheese].*
- Support installation of GMP in at least one meat processor by September 30, 2007. *[Achieved - A prerequisite check list for GMP has been developed and Arqe Iko and PQS have started to implement GMP].*

- Encourage and support the use of improved ewe and lamb feeding programs and introduce new improved breeds of sheep via a pilot program. *[Phase I Completed – KCBS at the Agricultural research farm created two groups of local sheep breed. The second phase to introduce new improved breeds was left for Year Four due to delays in approval of a grant for importing the new sheep breed].*
- 5 farmers adopt better pasture management practices resulting in a 50% increase in yield over native pasture. *[Achieved - Nine farmers from different geographical regions experienced pasture yield increases of 75% compare to natural pasture].*
- 5 farmers have planted new Alfalfa varieties. *[Achieved - Based on the sales of new alfalfa varieties many more than five have planted them].*
- 20 farmers using wrapped bales as demonstrated by the rotobaling SAF grant; and 20 farmers harvesting corn silage for the first time. *[Achieved - 47 farmers began using wrapped bales for the first time this year. More than 20 farmers began harvesting corn silage for the first time this year. The exact number is not known as harvesting is still taking place at the close of project year 3].*
- Develop and support marketing coops/marketing organizations for grain crops. *[Achieved - KCBS worked with 29 small storage/collection points established to supply four different flour mills. More than 4500 tons were collected through this system this year].*
- Cooperate with media on at least 6 TV presentations encouraging the use of new crop varieties, fertilizers, and other improved agronomic practices. *[Achieved - KCBS, 3 Major Ag Input supply clients and RTK cooperated to participate in 5 different presentations on the RTK TV Ag Show].*
- Produce day old chicks by May 31, 2007 from selected farm stocked with breeder hens by February 28. *[Achieved – a delay was due to a change in plan to use a heavy breed for parent stock instead of the originally planned lighter breed].*
- Improved record keeping and business plans developed in at least 3 poultry producers and 1 feed manufacture not producing poultry. *[Achieved - Accounting software has been developed and installed in 3 poultry/feed clients which will significantly improve business planning].*
- Assist at least two farmers' associations or groups of farmers to form cooperatives or marketing companies. *[Achieved - Two groups of farmers, one in Rahavec and one in Peje, completed their registrations as new cooperatives].*
- Innagurate Grading/Sorting/Packing lines and/or Sizing/Drying systems for apples, potatoes, blueberries and/or juniper berries by at least 3 organizations. *[Achieved - Equipment/systems have been installed for three organizations and a fourth one will be completed soon].*
- Assist at least five farmers or entrepreneurs to install cold storage facilities, with apple prices expected to be 80% higher. *[Achieved - Construction of four refrigerated storage chambers was completed at UVB Association in Blaga e – Peje, in time for the fall apple harvest, and a new facility for handling, freezing and frozen storage was completed at As Promet in Leposavic].*
- Develop a record-keeping system acceptable to micro-credit organizations, and ensure that at least five F&V farmers obtain new small loans for the first time. *[Achieved - Acceptable record-keeping systems and farmer-friendly forms were developed, and a pilot project has assisted five farmers apply for loans for the first time].*
- Follow a Road Map - to be developed in Q1/FY 2007 - for the path leading to Forest Certification in al least two Kosovo forests. *[Road map is being followed albeit at a slower pace which does not conform to the original schedule. Forest Management Plans*

*are being prepared and a National Working Group is being established. Efforts are being made to control illegal logging].*

- Working with former SOEs, Silcapor, Tulltorja, FAN and the Trasing Group, assist in increasing output from the four plants combined by 20%. *[Achieved - Combined increase in sales in 2007 over 2006 was 61%. Individual company increases ranged from 37% FAN to 93% Tressing].*
- Assist three manufacturers of polystyrene thermo insulation materials to increase their capacity usage from 30% to 60% and increase sales. *[Achieved - Capacity usage increased by at least 30% and imports substituted. Would have been higher had a fire not destroyed one manufacturer's plant].*
- Develop PET recycling in Zvecan and Peja/Ferizaj. Increase tonnage exported by 100%. *[Substantially Achieved – increase of 97.5%].*
- Bring potential foreign development investors to Kosovo. *[Achieved - KCBS brought several potential investors to Kosovo - Orange Group, German road contractors, Greek quarry operator. However, the uncertain status as well as institutional framework constraints, proved too great an inhibitor to progress].*

## **1.2 Projected Results Not Achieved**

The following results were not achieved as scheduled:

- 10 new farmers are using Kosovo-produced calf hutches by September 30, 2007. *[Only Partially Achieved - KCBS is aware of five dairy farmers that have built wooden calf hutches based on industry-accepted standards. But there now is a local distributor of the fiber glass/plastic calf hutches made in Germany].*
- 10 farmers testing 30 forage samples total resulting in a 10% reduction in feed costs, by determining actual forage composition compared to estimated forage quality. *[Not Achieved - Average milk production in liters/day increased by 5.7%. A similar reduction in feed cost was estimated but difficult to confirm because of the delayed response in getting forage test results from the Pristina Ag Faculty].*
- One dairy processing training center training established, with appropriate equipment and standards to meet modern processing technology recommendations, and with 5 new potential dairy processing employees trained. *[Not Completed - Implementation of this goal was delayed due to budget constraints].*
- Successfully enter on a sustainable basis one regional market with sales of at least 20 tons of dairy product by September 30, 2007. *[Not Achieved - Based on KCBS assistance as only one shipment of 7.5 ton was made via a KCBS STTA linkage made for Bylmeti. However Bylmeti continues to export cream filled peppers to Albania (12.5 ton in the project year 4th qtr.) through his own distributor in Albania.].*
- Increase Year 3 sales of at least 2 selected domestic dairy products through one supermarket [Ben Af?] by 15% over Year 2 sales. *[Not Achieved]*
- Assist at least one dairy processor in developing a 3-year business plan instrumental in helping acquire needed credit. *[Not Achieved]*
- Support installation of good manufacturing procedures (GMP) in selected meat processors. *[Achieved - A prerequisite check list for GMP has been developed and Arqe Iko and PQS have started to implement GMP].*
- Improve sheep cheese yield by 10% due to better quality of milk and better procedures. *[Not Completed - KCBS prepared a plan to develop a sheep value chain pilot project in Prizren and Dragash area with the Sharri dairy processor – Prizren. The pilot project will*

*cover 10 larger sheep farmers and will establish two milk collection centers for sheep milk in Year Four].*

- *Facilitate the export of 2,000 lambs by September 30, 2007. [Not Achieved – Only one shipment of 450 lambs was made to Bosnia, as part of an agreement between Lijanoviqi, meat products factory in Bosnia and Delfin, a Kosovo company].*
- *Facilitate the domestic and export purchase of 50 tons of wool. [Not Completed - KCBS identified sales opportunity for wool in Bulgaria, but Bulgaria does not recognize Kosovo documentation; KCBS is now working with the FAO project in Dragush for potential export of some wool to England.].*
- *Install GMPs in at least one feed manufacturer by September 30, 2007. [Not Completed. Postponed to Year Four].*
- *Show the cost savings of using pelleted feeds by establishing 2 controlled feeding trials at two different farms. Expect savings of at least 10%. [Not Completed. Postponed to Year Four].*
- *50% of domestic eggs sold in commercial markets graded by July 31, 2007. [Not Achieved - Best estimates are that 22 to 30 % of the eggs sold in commercial markets are being graded].*
- *Build on success of 2006 blueberry collection season by increasing harvested tonnage for 2007 by 25%. [Not Achieved - Due to a warm winter and an exceptionally hot, dry summer, blueberry yields were down significantly. Fortunately, due to KCBS efforts, berries were collected over a larger area and prices were higher in 2007 than 2006, but an increased harvested tonnage was not met].*
- *Assist 4 existing and 3 new fruit tree nurseries to expand production by 30%, and distribute 5,000 fruit trees to farmers. [Not Achieved - Wells were drilled at four nurseries and drip irrigation systems have been installed at five nurseries. But, delays were experienced in procuring the last of the equipment, which will not arrive until October 2007]*
- *Develop a record-keeping system acceptable to commercial banks, and ensure that at least two F&V agribusiness entrepreneurs obtain new commercial bank loans for the first time. [Not Achieved - An acceptable record-keeping system was developed, but two F&V clients who have not previously applied for loans have not been found].*
- *Build capacity at both Korenica and Ukaj so that by September 2007 each is producing three containers for shipment to Swedeco per month. [Not Achieved – the relationship with Swedeco was severed in April and no shipments were made].*
- *Create a sub-supplier network for Korenica and Ukaj which involves at least four other Kosovo manufacturers - two by end March and two more by end July. [Not Achieved - Parketeria in Ferizaj was set up to supply wearlayers; and Druri sawmill near Xerxes has invested in equipment to supply sawn lumber. However, the cancellation of the Swedeco involvement in EWF made these linkages redundant].*
- *Develop a pilot program for the production of Briquettes using the need for timber stand improvement as the catalyst. [Not Achieved – Postponed until Year Four and dependent on progress made by the MAFRD/KFA regarding reforestation and forest management plans].*
- *Assist the RCAF in implementing a program for recycling demolished construction materials and using the recycled material for new construction. [RCAF made overtures to the Municipalities to join in this program but without success. Two KCBS clients, Escavatori and Kag Asphalt, have added recycling to their business activities].*

- Correct practice of importers undervaluing imported goods to make them more competitive with locally produced products. *[Not Achieved - Customs advised that without more data available at customs, and without better monitoring equipment, they are unable to halt these practices].*
- Design and implement a certification program for association executives on best association management practices. *[Not Achieved - This project was suspended early in year three due to budget restraints for STTA intervention].*
- Support the development of a quality certification program to be owned by BCC. *[Suspended due to the lack of performance of BCC. Further KCBS support to BCC to develop a quality certification program is made conditional on BCC meeting the grant suspension criteria].*
- Host a conference to promote quality standards for consultancy market and consultants' code of conduct. *[Postponed due to lack of performance of BCC. KCBS will co-host a conference with EAR/BAS on the same subject in the first quarter of year four].*
- Develop new products for Banks and MFIs such as purchase order finance, pre-shipment finance and leasing. *[Not Achieved - New products were developed and representatives of the financial institutions were trained in their potential use. Implementation was delayed for reasons expounded in Section 6.5 of this Report].*

## **2.0 DAIRY SUB-CLUSTER**

### **2.0a Dairy Sub-Cluster - Milk Production**

#### **2a.1 Improved Productive Capacity**

##### ***Activity 1.1: Advise and support demonstration farms while using them as training centers.***

Setting up and supporting the demonstration farm has helped to strengthen the relationship among dairy farmers who are showing interest to adopt advanced dairy farm practices. To date four group trainings were organized at “Legjendasi” demonstration farm, over 64 farmers have visited the farm to learn about best farm management practices, new production technologies, and proper hygiene and quality control techniques required by international HACCP and EUREPGAP standards. As results of the model farm visits and training, three dairy farmers have installed closed pipeline-milking systems while 15 farmers did one or more of the following; improved ventilation, lighting or bedding of the dairy barn or built wooden hutches for raising calves.

##### ***Activity 1.2: Enterprise record keeping***

Records provide dairy herd management information for commercial dairy farmers. The records issue has been an area of concern that was mentioned by numerous STTA's during previous projects. The Dairy Herd Improvement (DHI) pilot record system initiated from KCBS is completed successfully. KCLB (Kosovo Center for Livestock Breeding) an EU funded project that operates under the umbrella of the livestock department within MAFRD has taken over and is supporting financially the DHI program. From six dairy farms initially enrolled in the DHI program KCLB expanded the number and now they are covering 12 dairy farms. Farmers are reporting that they are seeing better financial returns from DHI record keeping system through improved milk quality and reproduction efficiency.

##### ***Activity 1.3: Expand heifer-raising program***

Although the issue of raising replacement heifers is only one of several management deficiencies, it is of major importance if the industry is to become sustainable. It is difficult and expensive to purchase imported cattle with superior genetics. To date the expansion of the dairy industry has been primarily dependent on imported dairy heifers. Therefore a program was developed to aid the dairy industry regarding improved practices associated with raising replacements in an efficient manner. KCBS has recommended the introduction of individual calf hutches as an economical way of eliminating many of the calf health problems that are obvious presently. Dairy farmers have continuously reported better growth progress of calves raised in hutches compare to calves raised in the conventional way. With help from KCBS, during this quarter two, and to date five dairy farmers have built wooden calf hutches based on industry accepted standards. Hutches placed in the yard of the dairy farms are raising the interest of neighboring dairy farmers to build additional wooden hutches for calves on their farms.

##### ***Activity 1.4: Introduce base feed mixes and dry cow feeding programs***

After failing to privatize the animal feed factory in Fushe Kosovo, KCBS client FAUNA has purchased the premises he has been renting in Gjilan since the establishment of his company. Fauna will do some additional investment in the buildings where they will lay out the silos for storing imported grains and refurbish the building where they will set up the mixer for producing dairy base mix. The target markets of the base mix are small-scale dairy farms. Making the universal base mix locally will reduce the cost and encourage more small scale dairy farms to supplement their cattle. A universal dairy base mix formulated by Dr Chapin offers suppliers of the base mix access to this sizable market. Dr. Chapin also formulated dry cow and transition rations that were made available to dairy farmers.

## **2a.2 Improved Quality Control**

### ***Activity 2.1: Support implementation of Raw Milk Quality Decree***

Having raw milk quality standards in place and implemented is the greatest achievement for KCBS in process of building the necessary legal infrastructure for sustainability of the Kosovo dairy industry. Providing high quality milk to the milk processor is essential for providing products the consumer will purchase and consume. The raw milk quality decree is encouraging dairy farmers to produce high quality milk. The incentive payment program rewards farmers for producing and delivering high quality raw milk and provides an economic disincentive for producing low quality raw milk. The implementation of the new standards has been a collaborative effort of KCBS, KVFA (Kosovo Veterinary Food Agency), the Livestock Department of MAFRD, the KDPA (Kosovo Dairy Processors Association) and KAMP (Kosovo Association of Milk Producers). It is an example of successful cooperation between industry and government that results in a safer food supply for Kosovar consumers.

### ***Activity 2.2: Assist in establishing a laboratory for testing raw milk quality***

In March 2007, the laboratory owned by the Kosovo Veterinary and Food Agency [KVFA] officially started to do chemical and bacteriological analyses of raw milk using state-of-the-art equipment for high speed testing of somatic cell and bacteria counts in milk. The equipment is manufactured by FOSS, the world's leading provider of analytical instruments for the food, agricultural, and pharmaceutical industries. The KVFA milk testing laboratory is providing continuing, reliable service to the Kosovo dairy industry and consumers of Kosovo.

### ***Activity 2.3: Help develop a mastitis control program***

The pilot mastitis control program for mastitis treatment in dairy cows has started this quarter. KCBS and Mr. Xhavit Bytyqi DVM signed the service agreement for implementing the pilot program. This pilot program will introduce a new technology to isolate bacteria that is causing mastitis in dairy cows utilizing 3M Petri films. This is the first time that this technology has been used in Kosovo. KCBS donated 150 pieces of 3M Petrifilms to the KVFA laboratory. According to Mr. Beq Hulaj DVM, Staphylococcus aureus and E coli are the most common bacteria that are isolated from milk samples taken from dairy cows with clinical and sub clinical cases of mastitis. Curing mastitis utilizing 3MPetrifilms is much more effective since the pathogen is isolated within 24 hours compared to the conventional way which requires 72 hours for isolation of pathogens that cause mastitis in dairy cows. The rapid response mastitis control program is designed to identify mastitis pathogens and target antibiotic treatment in a fast, efficient, economic manner in order to minimize the damage caused by mastitis.

### ***Activity 2.4: Increase use of forage quality testing***

The purpose of the FQT (Forage Quality Testing) activity was to demonstrate the value of testing forages to help reduce the overall feed cost of producing milk. Much emphasis has been put on improving forage quality and feed rations by KCBS, KAMP and some municipal agriculture agronomists. However, actually testing samples of harvested forages to determine their nutritional value is not practiced. According to Dr. Ragip Kastrati professor at agriculture faculty, the FQT program has raised the awareness among dairy farmers to continue to test the quality of their forage for determining its nutrition value using NIR (Near Infrared Reflectance) testing technology at the Pristine Agriculture Faculty. Based on forage test results farmers are balancing the feed rations to meet their cows' nutritional needs in order to increase milk yield.

### **2a.3 Improved Market Chain Linkages**

#### ***Activity 3.1: Develop a recommended standard dairy producer/dairy processor milk supply contract***

A standard milk supply contract drafted by KCBS is helping dairy processors implement the milk quality payment scheme. Dairy processors were concerned that they will lose dairy farmers if they start to implement the milk quality payment scheme. Concern raised from dairy processors was reduced by introducing a standard milk supply contract which legally prohibits dairy farmers from switching from one dairy processor to another during the life of the contract in case a dairy farmer is penalized for producing raw milk with low quality for example.

### **2a.4 Strengthened Capacity to Access Credit**

#### ***Activity 4.1: Support training in general farm financial record keeping***

Through a good record keeping system dairy farmers will always be able to know the development of their business and make better decisions for their farms. Farmers acknowledge the importance of record keeping. However, dairy farmers are still at the beginning when we talk about financial record keeping. They need further advice and support to continue with record keeping. KCBS developed a simple package for dairy farms that includes ways to keep enterprise records as well as financial records that are acceptable for commercial banks and MFI. A local STTA was contracted to implement a manual dairy farm record keeping system on two selected dairy farms. Two dairy farmers have been trained in financial record keeping and they acknowledge the importance of keeping financial records. After the training “Dukagjini” dairy farm, in part due to proper financial record keeping, was offered a loan of €20,000 from KasaBank for purchasing a bigger tractor.

#### ***Activity 4.2: Support development of a dairy equipment finance program***

The main factor influencing the marketability of locally produced dairy products is quality. Cooling raw milk on the farm immediately after milking the cows is among the fastest and easiest way to improve milk quality. To cool raw milk faster on the farm, dairy farmers need to install a lacto-freeze in their milk storage rooms to rapidly cool the milk to a temperature of 4 °C. The average costs of a 300 and 500 liter Lacto-freeze are €2,700 and €3,700 respectively. Most of the small-scale dairy farms are lacking financial resources to buy a lacto-freeze. The only opportunity to secure one is through a loan from financial institutions. As a result of a number of KCBS meetings with Raiffeisen Bank, they approved a new loan policy for dairy farmers. Previously Raiffeisen Bank didn't process loans below €5,000. Thanks to continued KCBS efforts Raiffeisen changed their minimum loan policy from €5,000 to €2,000. To date Raiffeisen has disbursed 88 loans amounting €307,500 in the range of €5,000 to €2,000.

## **2.0b Dairy Sub-Cluster – Milk Processing**

### **2b.1 Improved Productive Capacity**

#### ***Activity 2b.1.1: Encourage and support milk standardization and improved product flow in all client dairy processing plants***

During this quarter Bymeti received a new pasteurizer, which will increase the quantity of milk pasteurized and will improve the standardization of the processing line. KCBS prepared the production flow diagram with milk standardization plan chart including necessary equipment for the new Alpina dairy plant in Keqekolla. The Alpina plant is projected to start operation in November 2007. KCBS is assisting Sharri-Prizren dairy processor in identifying a new processing line for Sharri sheep cheese production, which will include milk standardization capability.

#### ***Activity 2b.1.2: Identify and assist new local service providers to provide technical assistance to the dairy processors***

KCBS identified the consultancy agency “Consult” in Gjakova that specializes in wastewater treatment consultancy. The company is contracted to complete the preparation of a project proposal for wastewater treatment for Kabi. The project proposal is completed with technical plan, layout of equipment, requirements for installation and identification of the type of equipment needed. One of the requirements of dairy plant GMP is installation of thermographs at the pasteurizers in order to record the time and temperature of milk pasteurization. KCBS has identified the R&B Jovanovici company from Serbia that is able to provide this service.

### **2b.2 Improved Quality Control**

#### ***Activity 2b.2.1: Support and encourage routine testing of finished dairy products***

KCBS is supporting 8 major processing plants on improving the quality of final dairy products. In order to improve the quality and food safety, an essential element is lab testing of the final dairy products. All 8 processing plants continued to test at least 6 dairy products (yoghurts and cheeses) per month at the Land O Lakes laboratory in Skopje on physical, chemistry and microbiological characteristics.

#### ***Activity 2b.2.2: Work with 4-6 committed dairy processors to begin installation of GMP***

During the quarter KCBS continued to assist Bymeti in finalizing HACCP standards implementation. GMPs had previously been fully implemented in Bymeti’s processing plant. KCBS prepared the SOW for KCBS STTA HACCP specialist to continue with final assistance to Bymeti on HACCP standards implementation. Bymeti is expecting to be ready to invite Auditors for HACCP certification in November 2007.

At Abi, the documents on GMP standards have been developed and completed. Abi completed its investment plan for purchasing new pasteurizing equipment in order to implement GMP standards. The investment will take place after privatization.

Kabi has started with equipment installation in their new processing plant. In the same process Kabi will start implementing proper procedures and documentation according to GMP standards, with assistance from KCBS. KCBS continued to work on installation of GMPs at Golaj this quarter, currently focusing on GMP standards for the laboratory; and assisted the Alpina Company in Kerqekolle with GMP standards recommendations and design layout for the construction of their new dairy processing plant. KCBS prepared a check list of recommended items and procedures needed during building of the processing plant.

KCBS with US Company SludgeHammer visited KCBS clients Abi, Kabi, Golaj, and Alpina. The company provided needed consultancy on wastewater treatment after examination of

the area around the dairy plant. SludgeHammer provided additional training to local consulting company Consult on improving their technical knowledge regarding wastewater treatment. Consultancy was provided to Kabi with technology for wastewater treatment including details for installation and maintenance of the system.

***Activity 2b.2.3: Work with 4-6 committed MCC owners to instill Good Handling Practices***

In addition to four MCC's from last quarter, KCBS assisted two new MCC's this quarter with the installation of GHP standards. One is in Krelan and the other is in Korenica, both of which are owned and operated by women's associations.

KCBS has approved a grant application from Ajka Dairy farmers association in Viti. The grant application will support establishing a new MCC in Viti with lab testing and milk collection equipment. The new MCC will collect up to 1,800 liters/day and will serve 42 Albanian Kosovar dairy producers and 18 Serbian Kosovar producers. The association will be supported from Viti Municipality Government with €4,000 for facility reconstruction. KCBS has visited the facility and provided GHP guideline requirements before the construction of the building begins.

***Activity 2b.2.4: Increase capacity and sustainability of two training centers for dairy processing plant employees***

KCBS visited the Dairy training center in Novo Sello in Peja. During the year 2007 the training center has trained and certified 48 participants. KCBS will coordinate activities with dairy processor needs for additional professional training at the training center. KCBS provided 150 pieces of 3M Petri film for dairy microbiology testing of raw and pasteurized milk to be used in student training exercises as a new technology for microbiology lab testing.

### **2b.3 Improved Market Chain Linkages**

***Activity 2b.3.1: Support "unique" product market development for committed dairy processors for entry into at least one regional market with at least one new product***

Activity not completed. In Last quarter Bylmeti exported to Albania 12.5MT of cream with peppers worth €30,000. The export was made through Bymeti's distributor for Albania.

***Activity 2b.3.2: Support improved packaging, labeling and marketing of dairy processing client products***

KCBS with MTL has prepared the plan for supporting the roll out of a new cream cheese product for Abi and Bylmeti. Part of the intervention is to improve the labeling and design of packaging for KCBS clients.

KCBS identified Company D.O.O Valoni Trade from Bujanovc. The company is the authorized dealer to import and distribute packaging material from ATM Company and other companies from Serbia. The company has offered favorable conditions for processing plants with no limits on quantity of packaging material ordered. KCBS outlined clients' needs.

About 90% of packaging material used by dairy processors is imported from Serbia and Turkey. KCBS is working with the Korenica wood processing plant in bringing into production their equipment [obtained when the Xerxe plant was privatized] for manufacturing plastic packaging by helping them determine the packaging material design needed in order to be competitive in the market. To this end KCBS prepared information about market needs and prices of packaging material.

KCBS assisted in creating a linkage between Korenica and Abi. As a result Abi has placed an order with a pre-agreement made as a test project. Korenica is investing €10,000 in moulds to manufacture an 800 gm plastic container for cheese. Korenica is also working on technical information for a mould for manufacturing a 2 kg plastic container for cheese.

KCBS provided distribution assistance to Golaj in identifying a wholesale store for dairy products in Pristina in order to increase efficiency in supplying the Pristina market. The store is expected to start working in late of September. With this action Golaj expects to reduce the transport cost per by 50 %. (an average saving of €350 per week).

***Activity 2b.3.3: Encourage and support dairy processor and supermarket retailer cooperation in promoting and merchandizing selected domestic dairy products***

New cream cheese products developed with assistance from KCBS at Abi and Bylmeti were successfully accepted by customers in the initial test market phase. Abi is selling cream cheese but needs to improve labeling and design. The action to promote Bylmeti cream cheese is planned for October, 2007 after finalizing HACCP standards implementation.

**2b.4 Strengthened Capacity to Access Credit**

KCBS has completed the model cash flow and income statements for Shala and Aldi dairy plants. The model is ready to be used with other KCBS clients.

### **3.0 MEAT SUB-CLUSTER**

#### **3.1 Improved Productive Capacity**

##### ***Activity 3.1.1: Encourage and support the use of improved ewe and lamb feeding programs and introduce new improved breeds of sheep via a pilot program***

KCBS has divided this assistance in two phases. The first phase, including improved ewe and lamb feeding programs has been accomplished. KCBS at the Agricultural research farm created two groups of the local sheep breed. For those groups KCBS formulated feed rations according to STTA recommendations. The group with improved feed rations has good results, milk production increased 60 % and weight gain of the lambs increased 50 %.

For the second phase the KCBS planned is to import a new sheep breed. 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, which is scheduled to be around the end of October 2007. Upon clearing the quarantine period (14 days) the sheep will be moved to the Pristina Agricultural Faculty Research Farm to be included in a production based feeding trial. The "Lacaune" sheep is primarily grown for milk production, although quality of carcass and the wool gives this strain a triple purpose. This sheep breed typically has an average lactation length of above 150 days, and average production of 400 – 600 kg milk per lactation; the local sheep breed typically produces from 60 to 80 liters per lactation. Ultimately offspring from the breeding flock will be sold to local farmers to improve the genetics in their flocks. The feeding trials will be completed in KCBS project year four, but the Pristina Agriculture Faculty Research Farm will continue to supply breeding stock, both male and female lambs to interested Kosovo sheep farmers during the productive life of the Lacaune ewes.

#### **3.2 Improved Quality Control**

##### ***Activity 3.2.1: Support installation of good manufacturing procedures (GMP) in selected meat processors***

KCBS did provide support for the installation of good manufacturing practices in meat processing plants. KCBS with STTA assistance drafted a pre-requisite check list for GMP implementation. Two meat processors Arqe Iko and PQS have started to implement GMP. The two companies were found to have suitable human resources, which are crucial for implementation of GMP. The current owners have shown good management commitment to implementing GMP in their plants. KCBS has followed up on the implementation of the check list items and found both companies to be complying with the suggestions made by STTA, Katerina Kostadinova.

##### ***Activity 3.2.2: Improve sheep milk and cheese quality***

During this quarter KCBS prepared a plan to develop a sheep value chain pilot project in the Prizren and Dragash areas with the Sharri dairy processor in Prizren as heart of the value chain. The project will include 10 larger sheep farmers and two milk collection centers. KCBS, the Sharri dairy processor and 10 sheep farmers signed MOUs. The MOU requires the Sharri dairy processor to collect milk from these 10 farmers and to establish two milk collection centers, one each in Prizren and Dragash. The sheep farmers are required to deliver their sheep milk to the milk collection center nearest them and to prepare proper milking and feeding facilities. The 10 farmers will each receive a sheep milking machine. KCBS will assist the Sharri dairy processor in establishing two MCCs and in preparing a milk collection truck to transport the milk from the two 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.

### **3.3 Improved Market Chain Linkages**

#### ***Activity 3.3.1: Continue lamb export market development***

Earlier this year, KCBS involvement was crucial for the lamb market. Lambs from Kosovo were transported to Bosnia, as part of an agreement between Lijanoviqi, meat products factory in Bosnia and Delfin, a Kosovo company. The legal export market for live lambs failed to develop as fast as projected by KCBS. The main reason is that private traders purchase lambs with more than 25 kg of live weight while Lijanoviqi lambs that are less than 23 kg live weight. Rumors are that these animals were trucked by night to Serbia in an effort to escape border inspection taxes. This puts the export lamb program at a disadvantage. However the KCBS intervention in this marketing activity did raise the average price of lambs in the local market. For this year prices in the local market were €2.3 to €3.0 per kg of live weight. The average price last year in the local market was €2.0 per kg live weight.

#### ***Activity 3.3.2: Improve wool marketing options***

After the failure of the Sharrtex local textile company to begin collecting sheep wool and exporting it to Bulgaria and Macedonia as once planned, KCBS began coordinating activities with the FAO project in the Dragash municipality. FAO has helped establish a sheep association in Dragash, and helped the association with some equipment for collecting sheep wool. The association has started to collect wool from farmers in Dragash. KCBS has linked the association with sheep farmers around Kosovo. The FAO project will help the association export the wool to the H Dawson wool company in England. This is the same company to whom KCBS sent wool samples last year.

#### ***Activity 3.3.3: Develop sheep milk market linkages with selected dairy processors***

Underdeveloped domestic and export markets for sheep cheese is an important limiting factor for development of the Kosovo sheep sector. During this quarter KCBS linked Sharri dairy plant with six larger sheep farmers from Prizren and Dragash region. These farmers delivered sheep milk to Sharri for which they received €0.50/lit. The dairy plant purchased 600 liters per day of sheep milk and processed into Sharri Cheese. This milk processor is planned to be the heart of the sheep product value chain pilot project.

### **3.4 Strengthened Capacity to Access Credit**

#### ***Activity 3.4.1: Improve business planning and record keeping***

KCBS goal for year three for establishing business planning and record keeping was accomplished. Good enterprise record keeping will assist sheep farmers in implementing proper feeding, reproduction and milk quality programs and will indicate profitability and cost savings opportunities. During this quarter KCBS implemented a record keeping system for three sheep farmers that include enterprise records as well as financial records that are acceptable for commercial banks. The system comprises 18 tables, which were distributed as printed material to all three farms. In order to ensure good quality data entry using these standard farm tables, the farms were visited and helped one time per month by a local consultant for a period of six months.

KCBS organized a workshop explaining the importance of the farm data recording system. The workshop was held in the KCBS conference room with 17 participants present. Also KCBS produced 700 brochures in the Albanian and Serbian languages explaining the record keeping system which were delivered to sheep farmers.

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

### **4.1 Improved Productive Capacity**

#### ***Activities 4.1.1 & 4.1.2: Confirm economic viability and relevance of alfalfa and/or clover seed multiplication in Kosovo***

This activity is completed. During this quarter subcontractor KODAA controlled fertilization, weed control, insect control, harvesting, and stand maintenance in five test plots of alfalfa for seed production and forage production. KODAA held two field days (Peja and Viti) presenting preliminary results of alfalfa seed multiplication. More than 52 participants were present including staff from MAFRD, Peja institute and other organizations. Three companies; Semenarna, Agroelita and Xenii expressed their interest in following the results of this activity in order to potentially expand alfalfa seed multiplication in the future. The final results and recommendations for alfalfa seed & forage production techniques will be presented in October.

#### ***Activities 4.1.3, 4.1.4 & 4.1.5: Pasture improvement work***

KCBS subcontractor HAK held four field days on improving pasture management with over 68 farmers in attendance. The HAK extension team is focused on developing healthy pastures, in order to increase pasture quality and yield, through better fertilization, seeding with better plant varieties, pasture clipping and scheduled rotational grazing. Farmers expressed high interest in adopting new techniques that were presented during the field days. During this quarter KCBS assisted nine farmers from different geographical regions Peja, Podujevo, Leposaviq and Shterpce to improve natural pastures through planting grass mixtures, red clover and other forages. As a result of following advice from KCBS for proper timing of fertilizer usage and weed control, pasture yields increased by 75% compare to natural pasture.

### **4.2 Improved Quality Control**

#### ***Activity 4.2.1: Improved crop harvesting and storing techniques***

Due to the drought climate condition this season crop vegetation was short and yields of different crops were lower than previous seasons. To avoid the complete drying up of corn dedicated for corn silage, many farmers who were not able to irrigate their fields were pushed to harvest corn earlier than usual. The unexpected problem that appeared was the high level of nitrates that accumulated in the plant and was not used for further plant and grain development because of the drought. To avoid the threat of nitrate toxicity in dairy cows KCBS recommended not feeding the stressed corn to young animals and advised dairy farmers to cut the stressed corn 15 cm above the soil to reduce the level of the nitrate in the silage as nitrate levels are highest in the lower part of the corn stalk.

### **4.3 Improved Market Chain Linkages**

#### ***Activity 4.3.1: Help develop and support marketing coops/marketing organizations for grain crops***

Grain drying, storage and management are critical issues to crop producers. Much of the profit or loss of farming can result from decisions that the producer makes after harvest. KCBS worked with 29 small storage/collection points established to supply four different flour mills. KCBS explained the advantages of on-farm storage to the farmers which include: 1) avoid selling the grain at seasonally low harvest time prices; 2) easier and quicker transportation of grain from the field to storage facilities; 3) allows the producer to harvest grain at a higher moisture level and to condition the grain on the farm without receiving a high discount from commercial elevators; and 4) gives more marketing flexibility.

While KCBS does not work directly with the flour milling industry, it should be noted that some wheat is used for livestock feeding and approximately 30% of the wheat that is milled for flour is used for animal feed in the form of wheat bran.

***Activity 4.3.2: Assist in increasing marketed volumes of new, high quality, proven inputs by cluster input suppliers***

KCBS continued to work with three main agriculture input suppliers Xeni, Agrounion and Fitofarma who consequently are the main agro inputs importers. This year due to the lower yield of crops in the region the price of grain crop seed increased by 29 % while the price of forage seed increased by 26%. Three seed cleaning companies this year have increased production of winter wheat seed by 15% compared to last year due to increased demand from farmers to plant bigger surfaces with grain crops. They want to ensure enough animal feed for the next year.

***Activity 4.3.3: Explore the possibility of contract production of feed and food grains***

This activity is completed. However KCBS is working continuously with three main seed cleaning company (Xeni, Semenarna and Agroelita) to link with feed millers for selling the low quality grain that cannot be used for seed. Feed millers will be able to buy this low quality grain locally at 25 % lower price than the conventional wheat market price.

#### **4.4 Strengthened Capacity to Access Credit**

***Activity 4.4.1: Improve crop enterprise records***

KCBS continued to work with five crop producers Rudina, Dardania, Xhini tag, Triticum com and Agrounioni on proper record keeping. KCBS helped these companies to develop and use record keeping forms regarding plant protection practices, fertilizer usage, storage records and sales records. Farmers are seeing better results in plant protection and yield since they started keeping proper records.

## **5.0 POULTRY SUB-CLUSTER**

### **5.1 Improved Productive Capacity**

#### ***Activity 5.1.1: Produce day old chicks by May 31, 2007 from selected farm stocked with breeder hens by February 28***

During this quarter KCBS was very focused in assisting Gjini Tag in his breeder operation. 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. Dr Bakalli also prepared and held the presentation for SHPUK members regarding breeder farms (broilers at Taka and layers at Gjini Tag). As a result of KCBS, SHPUK and Gjini Tag's efforts the breeder operation is in excellent condition considering feed consumption, egg production, health situation, and mortality. At the beginning eggs were sold for consumption until their size reached the required weight. During August and September eggs were placed in the incubator and during September four hatches were completed with 30,000-day-old chicks sold. Prior to this Gjini Tag used two smaller incubators (100 eggs each) for testing. The results of testing were better than expected having over 90% hatchability while the breeder producer standard is 85%. On-going Gjini Tag will incubate/hatch weekly (7,680 female chicks) or biweekly (15,360 female chicks) depending on the requirements of the buyers (poultry producers). The price at the moment is set at €0.48 per chick and the first two-months of production was contracted in advance. Gjini Tag has started to work with Raiffeisen Bank and two of the largest pullet producers in Gjakova to organize a credit scheme for day old chick purchases.

#### ***Other Activities***

KCBS, SHPUK and Dr Bakalli visited broiler breeder farm at Taka to assess the situation at his broiler breeder farm and at his incubation station. Broiler breeders are more sensitive than layer breeders especially in their weight management since roosters can easily gain weight and that will immediately decrease their sexual activity. This in turn will decrease the fertility of the eggs. Dr Bakalli provided immediate assistance in new feed rations. KoniSoni in their facilities in Gjilan have installed equipment (in four houses) for broiler production. KoniSoni intends to purchase day old chicks from Taka. The capacity of their farms is 4 x 15,000 broilers. The problem of an appropriate slaughterhouse remains since LGB – Gjilan (the only poultry slaughterhouse in Kosovo) is not privatized at this point. KoniSoni has in their plans the establishment of a slaughterhouse as one option.

During this quarter Serbia blocked all exports of grains which created big, unpredictable problems for the Kosovo poultry industry. Because of liquidity issues and a lack of storage infrastructure the Kosovo poultry industry makes frequent purchases of relatively small quantities of feed ingredients. The result is that generally poultry producers only have feed ingredients for several to a maximum of thirty days. Feed ingredient prices have skyrocketed resulting in increased egg prices in the range of 25 to 30 Euros/box. KCBS identified sources of supply for corn from other countries. However, the 10% import customs place this corn in an uncompetitive position against Serbia where these charges do not apply. Fortunately the ban against Kosovo could be avoided by traders getting special licenses from the Serbian government to import into Kosovo. Some traders were able to obtain those licenses so Adi, KoniSoni, Jazi all were able to purchase corn. Presently the 10% import duty on feed ingredients has been suspended in part due to KCBS

#### ***Activity 5.1.2: Provide training for a wider use of feed formulation software. 5 integrated poultry feed manufacturers using the software and realizing at least a 10% feed cost savings by 30 April 2007***

Since 2002 KCS - KCBS continuously have worked with poultry and feed industry in lowering the cost of production and improving the quality of the product. In addition KCBS has provided free computer programs for feed formulation. KoniSoni, Adi, Maluku, Jazi, and Fit Dani all have feed formulation software. KCBS is continuously pressuring them to maximize use of this software. To that end KCBS and SHPUK organized workshops and seminars

while also providing individual trainings to feed producers. Still the software is only rarely used and when it is, it is primarily for developing feed rations and not for lowering the cost of feed.

***Activity 5.1.3: Feed trials at a selected feed manufacturer showing a 10% cost savings by April 30, 2007 by using pelletized feed***

KCBS and Dr Bakalli have completed the research conducted during Dr Bakalli's assignment at Jazi. The preliminary results showed that Jazi was operating the pelleter within industry standards. The final results of the tests are expected to show a cost savings of 10% or more. It will be important to monitor the pellet production over a longer period of time to demonstrate actual savings.

## **5.2 Improved Quality Control**

***Activity 5.2.1: Install GMP's in at least one feed manufacturer by September 30, 2007***

Jazi is selected for GMP; however because of KCBS budget constraints this has been delayed to project year four and will be accomplished primarily by using KCBS staff.

## **5.3 Improved Market Chain Linkages**

***Activity 5.3.1: Introduce customers to the advantages of pelleted feed***

Jazi placed 8,000 layers in his newly built farm. Based on the recommendations of Dr. Bakalli Jazi started a test trial using mash and pelleted feed. For that purpose KCBS and Dr. Bakalli have developed several spreadsheets which Jazi will use to keep records. The same sheets will be used by Jazi in the future to improve his record keeping. Unfortunately due to problems resulting from the lack of corn (caused by the Serbian export ban) Jazi had to make changes in his feed formulations and has stopped the trial. With the end of the ban Jazi will restart the trial.

***Activity 5.3.2: Encourage implementation of industry wide egg grading***

KoniSoni remains the only poultry farm that has started and is continuing to grade and mark approximately 150,000 eggs daily with the "KS" logo. Problems are caused by the limited capacity of their old grading machine at 15,000 eggs/hours and its age which causes it to break more eggs than it should. However, despite these problems KoniSoni is grading and selling their entire daily production including some extra from other producers. This represents 22-30% of the eggs produced in Kosovo. In order to increase the number of egg grading machines in Kosovo KCBS had meetings with MAFRD where KCBS asked the Livestock department to start implementing their Administrative Regulation that was signed more than two years ago. The regulation specifies the necessary grading, packing, labeling, transport and storage of eggs. Unfortunately, the government (MAFRD) is not interested in starting the implementation of the above mentioned regulation with the excuse that in that case they will have to close all poultry farms except KoniSoni. KCBS is trying to keep the harder line arguing that the implementation of the regulation will force poultry farms to invest and create another egg grading point or buy their (individual) grading machines and as a result increase the number of graded and market eggs sold in Kosovo.

### ***Other activities***

KCBS and SHPUK with members Adi, KoniSoni, Fit Dani and Prelepnic, met with the Macedonian poultry association and its three largest members (Macedonia's largest poultry farms). Macedonia's and Kosovo's poultry industries have similar problems and both create problems for each other by dumping eggs. The only difference is that Macedonia does it legally to keep prices high in their market and Kosovo does it illegally to unload its stocks caused by Macedonia and Albania dumping actions. Agreement was reached on two issues.

Macedonia will no longer dump eggs in Kosovo but there will be a coordination that will balance the needs and prices in both markets. Secondly both industries will try to find supplies of ingredients for both Macedonia and Kosovo.

SHPUK, Sano and KAMP organized a learning trip to Croatia. The trip was primarily to Sano's feed/premix production site since there were a number of complaints on the quality of the Sano premix being distributed in Kosovo. These concerns were raised primarily during the assignment of Dr. Bakalli. Also visits were conducted to breeder operations (both layer and broiler), poultry farms, animal feed factories and the agricultural trade fair in Zagreb. In total 17 participants participated in this trip which was included in the SHPUK strategic plan to go to Hungary. However since the industry was not able to obtain Hungarian visas SHPUK switched the visit to Croatia.

From September 21-24, Fauna and Jazi (with KCBS) had their booth at the Agricultural Trade Fair in Tirana. Here they were able to introduce their products and services to Albanian companies. Fauna for this fair had authorization from Pliva (veterinary medicine) and from Cargill (feed ingredients) to represent them.

#### **5.4 Strengthened Capacity to Access Credit**

##### ***Activity 5.4.1: Improve poultry farm enterprise record keeping***

KCBS has selected Gjini Tag (hatchery & feed producer – breeder operation), Jazi (poultry & feed producer) and Maloku (poultry & feed producer) and is working with them in improving their record keeping. KCBS has divided this assistance in two phases.

First phase includes farm level record keeping and for that KCBS is working with Gjini Tag, Jazi and Maloku in keeping records for:

- Gjini Tag breeder operation
  - Breeder body weight and Feed consumption
  - Light program and Temperature - Eggs produced and fertilized
  - Mortality
- Incubation Station
  - Eggs received and stored - Egg temperature control
  - Incubation and Hatching Hatchability and sexing percentages
  - Chick vaccination - Hatchability and sexing percentages
  - Chicks sold
- Jazi Feed Production
  - Feed formulation
  - Mash flow - Steam pressure - Pellet temperature
- Jazi Pullet & Egg Production – Same applies at Maloku
  - Vaccination schedule
  - Breeder body weight and Feed consumption
  - Light program and Temperature – Morality - Egg production

For the second phase KCBS issued an RFP for accounting Software Companies and discussed with them their ability to create a program appropriate for KCBS clients Jazi, Maloku and Gjini Tag. Accounting Software Companies visited KCBS clients and discussed in more detail their production scheme. KCBS selected the Informatika company to design and implement the new software program.

## 6.0 FRUITS AND VEGETABLES CLUSTER

### 6.1 Improved Productive Capacity

#### ***Activity 6.1.1: Assist at least two farmers' associations or groups of farmers to form cooperatives or marketing companies.***

With assistance from KCBS, 20 farmers in Rahavec and a group of 10 in Qyshke – Peje have formed new cooperatives for their mutual economic benefit. The group in Rahavec is called Agrovita and the other one Agro Qyshku. Farmers in both groups are intensively farming vegetables and vineyards on 3 – 8 ha, with an average of over 5 ha, and are thus considered commercial farmers. Board members have been elected, and plans launched for business activities, primarily in group marketing. In Project Year Four KCBS will provide training to the boards and directors on their duties and responsibilities.

#### ***Activity 6.1.2: Build on success of the 2006 blueberry collection season by increasing harvested tonnage for 2007 by 25%.***

Due to KCBS efforts which began in the spring, blueberries were collected by more people than ever this summer and fall. The collection centers were more organized and exporters' facilities were better prepared than in 2006. Unfortunately, yields of all crops in Kosovo were depressed approximately 50% due to an unusually warm, nearly snow-free, winter and an exceptionally hot, dry summer. Blueberries were no exception to this phenomenon. The harvest began several weeks early and lasted only a few weeks, rather than the usual 40 – 60 days. In 2006 about 600 tons were collected with export sales of €1,478,000, or 2.46 €/kg, while in 2007 only 315 tons were collected, but the export value was €927,000, or 2.94 €/kg. The prices reflect a world-wide deficit of wild blueberries compared to demand that is expected to continue for many years. [Please see Activities 2.2, 2.6 and 3.4 for other work related to blueberries.]

#### ***Activity 6.1.3: Assist 4 existing and 3 new fruit tree nurseries to expand production by 30%, and distribute 5,500 trees to farmers.***

Under a SAF grant to Kosovo Association for Development (KAD) a contractor was hired through a very transparent process, and water wells were drilled at four fruit tree nurseries and drip irrigation systems were installed at five of them (one nursery did not need a new well). The remainder of the funds budgeted for Goods & Materials were pooled to make possible the purchase of four young tree lifting plows, which will be shared by the seven nurseries. Obtaining competitive bids from manufacturers and locating a suitable importer of these plows, which are very unique, was very time consuming and caused a delay in concluding the procurement phase of the grant. The plows have been ordered but delivery is not expected until mid-October. Due to a lack of leadership by KAD, KCBS sought and obtained permission to act on KAD's behalf as the grant implementer. Because the wells were installed late and had little effect on nursery production this year, the requirement of the nurseries to provide approximately 5,000 trees for distribution by KCBS was delayed until fall 2008.

In mid-September KCBS, MAFRD and the Swiss Horticultural Project (SPHPK) co-hosted a field day in Koretin – Kaminice to highlight the quantity and availability of high quality fruit tree saplings from the area, which has the highest concentration of nurseries in Kosovo. This was also the dedication celebration for a well and drip irrigation system, installed through the grant to KAD, at a local fruit tree nursery specializing in propagation of scion grafting material from "mother" trees. About 60 people attended. Mr. Isak Begisholli, owner of the Fitofarma Company in Ferizaj and a KCBS Client, was present. His company implemented of the irrigation phases of the grant.

## 6.2 Improved Quality Control

**Activity 6.2.1: At least two F&V processors implement GMP programs and are ready for the last steps of full HACCP certification.**

This Activity was completed in Quarter Two. Please see Activity 6.2.7 for a new follow-on Activity.

**Activity 6.2.2: Inaugurate Grading/Sorting/Packing [GSP] lines and/or Sorting/Drying systems for apples, potatoes, blueberries, and/or juniper berries by at least 3 organizations.**

The members of Agrocompani Association in Qyshke – Peje, under a cost-sharing grant, have procured and commissioned a semi-automated G/S/P line for apples and onions. Space for operating the machine was provided in a new warehouse, owned by one of the members. However, the members of this association, who are also now members of the new Agro Qyshku Cooperative, have made plans to construct a new building (at their own expense) to house the line. They have already ordered additional equipment to be added to the line which will increase the flow rate and make packing more automated. A dedication ceremony for the equipment will be held after the harvest is finished.

Juniperi Fructus in Dragash modified their facility for handling products, collected from the wild, as part of a cost-sharing grant resulting in acquisition of a cleaning and calibrating machine and a wood-fueled tunnel dryer. Both investments can be used for blueberries and juniper berries, and the dryer is also very suitable for sliced mushrooms and rosehips. While Juniperi Fructus does not have cold storage or freezing capacity, they work closely with Hit-Flores Association in Dragash (handling the same products) which does have a cold storage chamber.

Recently a large capacity machine for cleaning and calibrating blueberries was assembled and commissioned at Agroprodukt Commerce in Podujeve as part of a cost-sharing grant. The machine is specially made to be able to meet HACCP standards.

As part of another cost-sharing grant, the members of Pema Association in Kovrage – Istog have constructed a new building that will house a semi-automated apple G/S/P line, which is expected to be delivered in early October. This is later than was hoped, since apple harvest has started, but the manufacturer only builds a few small-scale lines annually and delivery had to wait. Completion will mark a bonus fourth achievement under this Activity.

**Activity 6.2.3: Assist at least five farmers or entrepreneurs to install cold storage facilities.**

At UVB Association in Blagaje – Peje four conventional farm storerooms were converted to refrigerated storage chambers under a cost-sharing grant. Through an open, transparent bidding process a refrigeration engineering company from Gjilan was contracted to do the work. As their financial contribution the farmers made substantial modifications to the rooms. The project has been completed in advance of the fall apple harvest.

Under another cost-sharing grant, construction was completed at As Promet in Leposavic for a new building that will meet HACCP food safety standards for light processing and cold or frozen storage of mushrooms, blueberries and raspberries. Refrigeration equipment that the company had used previously in several other locations was installed in the new building.

Both projects under this Activity are in minority areas.

**Activity 6.2.4: Develop a Kosovo apple logo and donate 6,000 cardboard cartons to prove conclusively that Grading/Sorting/Packing apples will raise income by at least 20%**

**Activity 6.2.5: Escort a group of key agribusiness people to attend Fruit Logistica in Berlin**

These two Activities were completed in previous Quarters

***Added Activity 6.2.6: Construct at least one small blast freezer and a small frozen storage chamber for blueberries.***

Construction was completed in August on a facility in Sterpce (a minority area) for freezing and storing frozen blueberries under a cost-sharing grant. KCBS originally estimated that its €25,000 grant contribution would represent 50% of the total cost. However, the Joint Venture partners contributed a total of about €60,000, such that KCBS's portion is only 29%. The facility is expected to create 4 – 5 full-time jobs. However, the immediate indirect beneficiaries are the hundreds of collectors in the surrounding mountain villages. Because this facility can handle a wide array of products, it will expand the duration of the collection season so that it will start in late March and end with the first snowfalls of November, thereby providing longer-term employment and incomes for the collectors.

An added benefit of this new facility will be to stimulate the creation of new value chains for Kosovo products through the planting of other berries which have known market potential, especially cane berries such as raspberries, blackberries, and red and black currants. As with blueberries, these other berries also suffer from high rates of post-harvest respiration and require freezing soon after harvest. By planting cane berries near the existing freezing facilities, farmers will be assured that their post-harvest handling problems are already solved. These berries have the positive features of being labor intensive with high returns per unit of land area cultivated: they are about four times as profitable as growing corn.

In mid-September KCBS assisted in hosting a ribbon-cutting ceremony at the facility. The keynote speaker was Tina Kaidanow, the US Chief of Mission, who thought the event was highly successful. About 70 people attended and there was significant press coverage.

***Added Activity 6.2.7: One F&V processor achieves full HACCP certification.***

In early September KCBS assisted Agroprodukt Commerce in Podujeve in hosting a first-class celebration of their receiving full HACCP certification, the first food processor in Kosovo to achieve it. About 125 people attended the event. Michael Farbman, the USAID/Kosovo Mission Director, gave a short speech and the company made a slide presentation with “before and after” pictures highlighting the amazing renovations (costing about €110,000) that were made to the facility.

### **6.3 Improved Market Linkages**

***Activity 6.3.1: Assist at least two producer groups in selling fresh products directly to wholesale traders for the first time.***

***Activity 6.3.2: Assist at least two producer groups in selling products to processors for the first time.***

***Added Activity 6.3.3: Establish Farmer-Trader marketing linkages based on use of manual G/S/P tables***

These three Activities were completed in previous Quarters

***Added Activity 6.3.4: Link blueberry collection centers to export markets.***

In mid-July an American STTA provided a seminar for exporters on the international markets and marketing of blueberries, attended by representatives from eight of the 10 exporters. Before and after the seminar, the STTA visited all exporters to provide ideas on how product quality at each facility could be improved. In mid-August two buyers visited, one from Canada and one from The Netherlands. They visited the three exporters with the best equipment for handling and exporting blueberries, and chose to form a strategic alliance with Agropordukt Commerce in Podujeve. Communication continues with them on a regular basis.

#### **6.4 Strengthened Capacity to Access Credit**

***Activity 6.4.1: Assist two commercial banks and two micro-credit organizations to create new lending procedures and products using improved risk management methods for agricultural lending.***

This Activity was completed in Quarter Three.

***Activity 6.4.2: Develop a record-keeping system acceptable to commercial banks, and ensure that at least two F&V agribusiness entrepreneurs obtain new commercial bank loans for the first time.***

***And***

***Activity 6.4.3: Develop a record-keeping system acceptable to micro-credit organizations, and ensure that at least five F&V farmers obtain new small loans for the first time.***

As reported in Quarter Two, acceptable record-keeping systems were developed under a sub-contract. In the past Quarter these forms were further refined to make them more suitable for small farmers. Unfortunately, two F&V agribusiness entrepreneurs who have not previously applied for loans from commercial banks have not been found. However, a “grass roots” program was launched to provide direct assistance to farmers in the Rahavec area interested in applying for loans for the first time. On Monday mornings a KCBS Specialist is available at a well-known location to meet with farmers. Some learn about the program through an active word-of-mouth campaign, assisted by members of the new Agrovita Cooperative, and others are sent by the seven agro-lenders from commercial banks and micro-finance institutions in the area. Thus far assistance in creating loan packages has been provided to eight farmers

On a related note, in late September KCBS hosted a very successful seminar for agricultural lenders and credit managers, focused mainly on production budgets and recordkeeping forms. There were 10 presentations from members of the Livestock and F&V Clusters. The audience was composed of 40 loan officers from nine commercial banks and micro-finance institutions. They paid close attention and asked excellent overview questions about agriculture in Kosovo at the end. Attendees were given a CD containing all of the materials presented, and CDs were later delivered to invitees who could not attend.

## 7.0 CONSTRUCTION MATERIALS CLUSTER

### 7.0a Construction Materials Cluster – Wood Materials

#### 7a.1 Engineered Wood Flooring Project

**Korenica:** In this quarter Korenica increased sales of EWF in local market over the previous quarter including the first export to Albania in quantity of 360 m<sup>2</sup>. KCBS promoted EWF in meetings with construction companies, flooring traders in Kosovo, and individuals showing up in KCBS office inquiring about the product for their housing needs. KCBS prepared and published an article in monthly newsletter “Ndertimtari” in Albania, which is deemed to be used as a useful tool in marketing of EWF. Article details advantages of EWF over solid and other flooring in available in the market the market. These efforts translated into orders for Korenica. KCBS has forwarded offers of EWF to companies such as Dutch company KOSNED, Euro Trading/Switzerland, Milla Impex/Montenegro and DAFINOR/ Albania. Sales increase has been directly a result of KCBS support and continuous work with Korenica. Sales of EWF by Korenica total 2,360 m<sup>2</sup>, with a total value €33,040.

KCBS assisted Korenica in putting in place production norms for each workstation and simplification of work processes to reduce production costs. KCBS prepared cost control – production norms spreadsheets, which will help Korenica in future for operational planning.

**Ukaj:** Ukaj is constructing a second building on his Lipijan site to house the finishing line for EWF and finishing of chairs. Panels for the second building have been received and erected; however the concrete slab and roof panels are not installed yet. Ukaj’s interest in acquiring EWF finish line remains high. Ukaj made a trip to Germany where he has been assessing a second hand finish line, as well as a new one which embraces the latest technology for finishing of EWF. His plans are dependent on completion of his second building. Ukaj is determined to continue with EWF production; however he is looking at different technologies for flooring production and finishing, including two-layer flooring and hot coating varnish. To date, EWF sales by Ukaj reached 1,020m<sup>2</sup> with value €16,320.

#### 7a.2 Wood Processing Activities in General

**Mobileria Kosova:** KCBS assisted Mobileria Kosova in KTA bid preparation process and reviewing the documentation of the property on sale, which is currently leased by Mobileria Kosova. Mobileria Kosova submitted the second highest bid and was not awarded with the sale. On behalf of Mobileria Kosova, KCBS responded to several inquiries from Italian companies’ reference their query in sourcing beech elements from Kosovo, and followed up in an effort to facilitate potential agreements. KCBS has assisted Mobileria Kosova in negotiations, preparation of the samples as per the specification, price formulation and encouraged the owner in making a trip to Italy reference to bring a deal to closure. This yielded positive results as Mobileria reached an agreement with Italians for export of elements; first shipment is due to leave Kosovo on the 8<sup>th</sup> of October. Total value of the deal is €12,600.

**Tefik Canga:** KCBS worked with Tefik Canga in understanding the process of chair production. KCBS made a more thorough analysis of their production capabilities and identified areas where improvements can be made through having production norms in place, costing and bottleneck identification. KCBS has already identified 18 components of model nr.4 chair in which each component gets machine processed at an average of 10 workstations, without including assembling and finishing of the chair.

**Other Activities:** KCBS has advised Duglas/Podujeve to expand his market in Prishtina; in that regard KCBS identified a showroom in Prishtina and assisted Duglas in renting the space for exhibiting his products.

KCBS has continued searching the export in Asian market for beech elements and obtained pricing and freight costs for that purpose; however due to high transportation cost at this stage, a buyer yet remains to be found. KCBS will continue pushing on that matter. The interest for sourcing beech wearlayers from Kosovo is still out there and both Korenica and Ukaj have been reminded on several occasions of this opportunity.

KCBS reviewed Feroda's business plan for production of wood pellets and presented them with an outline in how to prepare a comprehensive business plan. KCBS identified several contacts of wood processors from whom Feroda could source their raw material – saw dust.

KCBS has strived to link Briquette producer Molika with Wood Processors of Kosovo such as Ukaj, and Tefik Canga for collection of sawdust from them.

### **7a.3 FSC Forest Certification**

KCBS continued to regularly meet Central Level MAFRD-KFA management, KFA offices in Ferizaj, Peja, Leposaviq, Kaçanik and Decan, and their Municipal Units and other parties involved in the management of Kosovo forests. Main goal of these meetings was to provide KFA teams with technical support in order to make the necessary improvements in forest management as defined in the KCBS STTA's report "Evaluation of Forest Management in Kosovo Publicly Owned Forests" so as to achieve the preconditions for applying for forest management group certification with FSC standards in areas foreseen for certification.

KCBS areas of focus, in this quarter included:

- Monitoring KFA activities in relation to reduction and prevention of illegal woodcutting and pursuing the implementation of the objectives of operation plan for forest protection, especially in Management Units which are foreseen to be certified.
- Monitoring the process of completing the field measurements in the remaining area (from last year) of the Management Unit "Pyjet e Deqanit dhe Lloqanit", Deqan, an area which includes 3,700 ha. KCBS is also monitoring preparatory activities for beginning of the field measurements on the third Management unit "Jezerc" Ferizaj including 4,000 ha foreseen for certification. These measurements are needed to develop a long-term management plan.
- Continue with activities to establish a National Working Group according FSC standards and provide for them necessary trainings for development of National Standards for Sustainable Forest Management and Forest Certification.
- Monitoring the implementation of the recommendations in interrelations with roadmap recommendation and FSC criteria, especially recommendations linked to planning, selecting and marking the future trees, selection and marking the trees for harvesting, evaluating the stumpage rate and developing the operation plan for logging.
- Monitoring the processes related to the public tender for selling of wood volume, evaluation of the offers, and selection of the offers and implementation of the operative plans by winning operators.
- Monitoring the maintenance of the records for all developed activities which relate to forest management and certification process.
- Assisting the Project expert team of Norwegian Forestry Group [NFG] on data control of the field measurements and preparing them for transfer in BiH for evaluation and plan production.
- Assisting the research team of "Riinvest" in developing the study "Forest Industry Challenges of the Development and Balanced Used"

**Donor Coordination:** KCBS has maintained contacts with the donor representatives of Norwegian Office for Foreign Affairs, Swedish Liaison Office, EU and Project leaders of complementary forest development programs: "Support to Forest Management Planning with GIS phase II "; "Sustainable Forest Management in Kosovo"; "Support to Forestry Education and Training in Kosovo". As the direct effect of this coordination, Kosovo Government approved an appropriation of €374,716 within MAFRD to be invested in forest protection. Unfortunately, this appropriation did not result in more budget for MAFRD, and the objectives which this money was meant to fund are not being addressed as planned.

KCBS, contracted Research Institute for Development "Rinvest" in Pristina to carry out a study named "Forest Industry Challenges of the Development and Balanced Used" in the amount of € 9,346. Study will provide information on public forest resources, identify investment needs and related costs for sustainable forest management. The study will also provide an economical analysis to measure the effects of the sustainable forest management on firewood supply for householders, on wood for the wood processing industry, and development of Kosovo economy.

***Providing technical assistance to the KFA and field visits:*** During the reporting period, KCBS continued to meet regularly the KFA Central Management, the Offices and their Municipal Units. The goal of these meetings was to provide technical assistance to KFA regarding the roadmap recommendations [from the report "Evaluation of Forest Management in Kosovo Publicly Owned Forests"], especially in reducing illegal woodcutting and other illegal activities, better planning to improve the forest management, so that the FSC criteria and principles are fulfilled, as well as, ecological, economical and social interests of country. The technical support given by KCBS to KFA Municipality management unit in Kaqanik was essential to achieve improvements in the implementation of annual operational plans and contract requirements. This has been achieved through increased visits to the field and the coordination of activities between the management and contractors.

***National Working Group:*** KCBS maintained contacts with representatives from government institutions, Pristine University, NGOs, associations, donors and individuals, who play an important role in forestry sector in order to ensure a balanced participation of all interlinked stakeholders in forest management and to prevent the domination of individual stakeholders in this process. KCBS in cooperation with World Learning-Forecasts Organization engaged a STTA specialist to conduct a training workshop for 18 participants in forest certification. The training will be held in first week of October and the second week of November 2007. The selected participants will attend a training program on forest certification with a focus on international and European forest policies process, certification systems, accreditation, standard setting, and establishment of a National Working Group and on the methodology for developing National FSC standards. This training is expected to bring about the establishment of the NWG and draft national FSC standards for Kosovo and lead the certification process.

***Regional Cooperation:*** KCBS continued to keep contacts with National Working Groups in the countries of the region that are carrying out the certification process, working on development of National FSC Standards and forest certification (Croatia, Montenegro, B&H and Slovenia). These contacts and sharing of information have enabled to further develop the certification process in Kosovo and other related activities.

## **7.0b Construction Materials Cluster – Other Construction Materials [Non-Wood]**

### **7b.1 Improved Productive Capacity**

#### ***Activity 7b.1.1: Increasing output from four former SOEs now privatized.***

In this quarter KCBS was mainly focused on assistance to “Tulltorja”, a producer of clay hollow blocks and solid clay bricks. Little attention was given to “Silcapor” (autoclaved aerated blocks) and “FAN” (steel mesh producer) who are successfully operating. The fourth former SOE, Trasing, had a lack of investment capital and apart from some minor investments in order to upgrade existing quarry, they have delayed further investments until the 2008 construction season.

KCBS provided technical assistance to “Tulltorja” with the aim to implement the action plan developed by “Tulltorja” management and KCBS based on STTA recommendations. The aim of the action plan is to upgrade existing machinery and increase production and therefore the second visit of STTA was postponed till the next quarter. There were over €120,000 invested on maintenance and repair but since there is no professional maintenance staff in Kosovo the investments did not achieved the expected results. There were many delays in repair works which resulted in the loss of many working hours. The KCBS and Management of Company are searching for other alternatives in order to upgrade the maintenance staff, which is very important to increase production and improve operation. One of the alternatives is to hire international expert.

KCBS assisted Tulltorja to obtain a loan from Procredit in amount of 3,0 Mill Euros in order to purchase new production line and the total investments will be over 4,0 Mill Euros. The company started with construction of the 4,000 m<sup>2</sup> building for the new production line. The production is planned to start next year with the aim to increase production 100% up to 100,000 pieces per day.

Silcapor continues to have stable monthly production at 18,000 m<sup>3</sup> and has sales of over 95% of production or €0,85 Mill monthly whereas the export value was increase in this quarter at €280,000. Now the company has achieved stable production and sales KCBS's assistance in the future will be as required.

FAN factory in this quarter increased production by 10% from 1,550t per month to 1,750t per month and the number of full time employees remained 236. The sales are of over 95% of production or up to €0,84 Mill monthly. In this quarter was the export value was €0,64 Mill.

#### ***Activity 7b.1.2: Assist RCAF in recycling demolished construction materials***

This recycling of the construction materials is done only by private companies and during this quarter there were recycled approximately 1,500 m<sup>3</sup> or converted into Euro approx. €15,000 which is very good start as in the past it was zero. If the municipalities were more serious in this activity it is estimated that recycled material could be at minimum 350,000 m<sup>3</sup> or €3,5 Mill which is significant in comparison with the low incomes in Municipalities. RCAF is focused to follow up this activity as soon as the new government is elected; the current government is not interested in recycling project.

#### ***Activity 7b.1.3: Assist three manufacturers of insulation materials to increase output.***

In order to increase production and starting with new insulation products, KCBS signed the contract with local design company “A Design” with the SOW to create a technical package for insulation materials produced by local companies. The technical assistance will include creation of the CD/DVD, brochures containing technical specifications, handling data and detailed sketches and information about insulated material “Styrofoam” with the target to promote manufacturing companies in Kosovo and to ensure design and construction companies use the correct technical specifications. The presentation will identify the production factories and the entire range of their products. This package will be used by purchasing agents, students, design and construction companies and other interested parties and is available for the companies to adopt for their personal use and marketing tool.

In this quarter Fetoshi started production on its new line but then decided to operate this plant as a stand-alone company with its own legal name Euro – Fat, separate from Fetoshi Company. With installation of the new production line the monthly production and sales during summer construction season have been increased by 80%, or from 5,500 m<sup>3</sup> to 10,000 m<sup>3</sup> [€230,000 to €400,000].

KCBS facilitated negotiations with KEK to secure power supply 24/7 and constant 220v for the new plant (Euro Fat Company) and for the existing (Fetoshi); but we are afraid that KEK may not fulfill its obligations like the failure with Gjilan Industrial Group. However, KCBS will monitor this activity in order to improve production.

### ***Other Activities to Improve Productive Capacity.***

In this quarter the main concern to the producers was application of the law on import of the heavy fuel oil [HFO] with low sulfur content (no more than 1% by mass) compared with 2% in past. This hit mainly local clay block producers, asphalt producers and Silcapor. The price of the HFO was increased every day and the maximum price was 460 Euros per ton compared with 290 Euros per ton in the past. After three months of cooperation between RCAK, OEK and manufacturers, and full assistance of KCBS, the Govt. postponed for two years the implementation of the law. For the next quarter the KCBS initiated the establishment of the working group with the aim to draft a law proposal to the government.

KCBS assisted Eurokos to obtain the loan application amounting €350,000 to purchase machinery for highway construction in Albania.

Recognizing that to obtain visas to Europe is difficult and takes a long time, KCBS took the initiative to bring machinery manufacturers in Kosovo with the aim to introduce new technology and present forms of financing. As a result three representatives from the AMMAN company headquarter in Switzerland came for a three day visit in Kosovo to present the company newest technology for asphalt and concrete plants and road construction machinery. KCBS will continue with this activity in the future.

In this quarter, KAG asphalt signed the new contract with company in Albania for supplying with 14,000 t of asphalt next year or approximately €650,000.

KCBS and RCAK visited the AS company in Leposavic in order to start cooperation and promote the Andesit stone to the road construction companies in south. The recommendations to the AS company were to test the stones and construct one road with length of 100 m and to serve as marketing tool for potential buyers. RCAK will serve as marketing tool to promote the stones and they will arrange a meeting with potential buyers. The best solution is to promote at the Road conference next quarter.

Vellezerit e Bashkuar invested over 45,000 euros to purchase primary crusher in order to upgrade the existing quarry but they are having problems with KFA to obtain permit. KCBS will cooperate with them in order to remove this obstacle next quarter.

## **7b.2 Improved Quality Control**

### ***Activity 7b.2.1: Develop more efficient mix designs for members of the KACP***

KCBS assisted KACP on creation of the technical committee with the task to promote concrete industry in Kosovo. The committee organized a successful two day event and there were over 70 attendees. The Slovenian manufacturer of ad-mixtures TKK visited several plants in order to improve quality and present mix designs with usage of admixtures as recommended by STTA in past quarter.

### ***Activity 7b.2.2: Ensure improved procurement practices for new road construction are implemented.***

In this quarter, the Kosovo Government continued with tendering without design and proper technical specifications which caused many complaints. As a result some tenders are under

re-evaluation and some were re-tendered. In the MPTP there are individuals that are abusing the name of World Bank and EAR, claiming one of their contractors is promoting the practice of issuing tenders without design and technical specifications. KCBS and RCAF checked this out and found out that the Austrian company IC Consulente, working at MPTP, does not have any contract with WB or EAR.

KCBS and RCAF are working on drafting the technical specifications based on EU countries and US. In the next quarter, KCBS and RCAF will continue to collect information on technical specification from the regional countries in order to complete the draft with the aim to present to the future government if elected.

One of the main concerns after bid is arithmetic check, which is not defined in the procurement law. It often happens that the bid price is changed after award with more than a 10% readjustment. RCAF and KCBS are working on recommendations as how to avoid this in the future and in the next quarter the draft proposal will be completed.

### **7b.3 Improved Market Chain Linkages**

#### ***Activity 7b.3.1: Correct practice of importers undervaluing imported goods***

This activity is being addressed to UNMIK Customs regarding Insulation Materials. KCBS found it is very difficult and costly to implement improvements, but with modernization of the customs and more professional controls the practice of allowing undervalued materials to pass through customs without penalty will be eliminated in the future.

## 8.0 GENERAL BUSINESS SERVICES

### 8.1 Improved Policy Dialog

**OEK Legal Office Proposal:** KCBS accepted the OEK legal office proposal and effective September 1 awarded a nine-month grant for OEK to establish a legal office. The office will provide arbitration and legal services related to commercial disputes, as well as recommendations on legal policy issues. The legal office will also serve as a training center for younger lawyers, who will benefit from the experience of senior professionals.

**AKB:** AKB held a mid-report conference to present the work on informal economy until now and to coordinate the activities among businesses and decision-makers on future steps. All attendees at the conference emphasized this project as a very important for Kosovo economy and were thankful to USAID/KCBS for their support. AKB organized broadcasting of a TV spot that ran from middle of September until middle of October. The brochure on informal economy was prepared, approved from KCBS, published and distributed to businesses and decision makers. AKB met with Diturie Hoxha from Kosovo Banker Association to discuss the support with better loans to businesses that moved from informal to formal economy. The informal economy project was presented at a meeting with Kosovo President. AKB field officers collected the data from more than 200 companies, AKB members and prepared the data base. In the database are included the company history and promotion material, membership status, dues and fee for service payments. This database will be included in an association webpage that will be developed in the first week of October.

### 8.2 Improved Responsiveness of Business Associations

**Activity 8.2.1: Support all six cluster associations in developing second year work plans including product development programs, and issue and administer SAF grants.**

**RCAK:** RCAK has made some improvements with regard to the collection of membership dues, compared to the first part of the year. During 2007 RCAK collected €9,800 in membership dues alone. KCBS' support during 2007 makes up half of the total budget of this association. Even though some progress is made compared to last quarter, the association continues to struggle with cash flow problems. Some positive steps were taken to improve the current situation; for example, RCAK cut back operational costs, by sharing the operational costs with KACP. Still, additional efforts must be given to increasing revenues, in particular non-dues revenue. The main projects the association has worked on this quarter are the promotional DVD and the technical manual. Both projects are out-sourced and RCAK's main task is to raise sponsorships in relation to them. KCBS has identified a need for improving marketing skills for some of the association executives, including RCAK's, and will address this need in year four. Later this quarter RCAK started with the preparations for the annual industry conference scheduled for October 17.

**AWPK:** KCBS had little interaction with AWPK, as no KCBS sponsored activities took place in the current quarter. AWPK financial data show that own-generated revenues for this association count for more than 60%. Most of the efforts of the AWPK executive this quarter were focused on the preparations for two upcoming events outside Kosovo. One of them was the wood fair in Albania which will be held from September 29 to October 2. Eleven AWPK members will exhibit their products in this fair. A second visit will take place from October 14-18, in Croatia. The first part of this visit will be at the Wood Technology Center in Zadar, which will be followed by a visit at the wood fair "Ambienta" in Zagreb. Six AWPK members and one KCBS specialist have confirmed participation in this business trip in Croatia. This quarter the AWPK executive director attended BAS training program offered on quality management processes. KCBS provided to AWPK a contact list of local BSPs for AWPK consideration for the wood industry conference. The industry conference is a KCBS sponsored activity, tentatively scheduled for the first part of November.

**KDPA:** KCBS approved the KDPA second year work plan supporting only profitable products and programs. The plan focused on value-added activities such as quality standards development and promotion of the industry in order to expand the local and export market for Kosovo products. The primary concern of KCBS was to communicate to processors the advantages of the central testing lab and the pricing structure based on the results of the testing.

Unlike last summer when there was surplus of milk during this season, this year dairy processing plants had problems to purchase milk due to the reduction of locally produced milk. Many farmers had problems to supply quality animal feed. KDPA met permanently with KAMP to coordinate the activities on purchase of locally produced milk and to find the possibilities to keep the stable price of fluid milk. A white paper and recommendations were prepared and addressed to government asking for reducing or exempting the VAT for the locally produced milk and exempting taxes for the packaging material used at dairy industry in order to keep stable the price of locally produced milk and dairy products. Most of dairy processors have increased the price of their products which didn't have any impact on sales. Sales of locally produced products have been increased due to the reduction of imports.

In conjunction with KVFA and Swiss Project KDCP, association tested the locally produced dairy products to show that locally produced milk and dairy products are healthy, fresh and as safe as imported products. During the quarter more than 400 samples have been tested and the dairies that have the best testing results will apply for the Award 2007. In conjunction with KVFA, association conducted the auditing of all dairy plants in Kosovo on best processing practices and quality of products. The survey form is filled at each dairy plant and based on the survey results all dairies get recommendations for improvements at their plants. Based on the improvements KVFA will approve or refuse already issued license.

**KAMP:** Association staff attended at a study visit in Switzerland and England to learn on the experience of Dairy Producer Association, Livestock Breeding Association and Framers Federation. KAMP also visited many dairy farms to learn the best farm practices and the quality control of the milk. KAMP discussed the successful association models with their Board in order to improve some of the aspects of association development. The study visit in Switzerland was used to prepare a TV show that is an information material on the best farm practices and the quality control of the milk. This show was broadcasted on RTK (Bujku). The second TV show was prepared on dairy farms in Kosovo and was also broadcasted at Bujku – RTK. The aim of these two TV shows was to compare the Swiss and Kosovo practices on dairy farms, proper milking, sample taking for analysis, milk hygiene, basic standards on fresh milk quality, milk storage on lacto-freeze and transport.

In order to improve the milk hygiene at farm level and improve the reproduction rate in dairy farms, association staff held 12 trainings with more than 90 farmers participated at the training. KAMP contacted professional service providers, checked prices on some diagnostic equipment and distributed to farmers, and distributed different brochures prepared by KCBS STTA. As there was a lack of a quality feed due to the dry season, association specialists provided information to farmers on use of different combination of feed rations that are available at Kosovo market currently. Staff also provided consultancy service and practical demonstration on improvement of milk quality as from the October this year will start the new milk payment scheme based on the milk quality. KAMP worked with German KFOR in the field of improvement of milk quality in municipalities Rahovec and Malisheva and with American KFOR on improvement of milk production and collection, and increase the reproduction level in Kacanik municipality.

**SHPUK:** Association assisted KCBS STTA on individual trainings of poultry farms on feed formulation and proper use of vitamins and minerals. The evaluation of the pellet mill at JAZI farm and the parent farm at Gjini Tag was completed, and the results were presented at separate workshops. SHPUK organized a workshop on proper use of antibiotics and vitamins at poultry farms. The presentations at the workshop were provided from KVFA professional staff. Association completed the testing of prepared feed at the parent farm at

Gjini-Tag Company. The testing conducted at Ag. Faculty in Pristina showed the high quality of feed used at parent farm.

SHPUK invited the Macedonian Poultry Association to discuss the coordination on animal feed supply and egg sales. There was an agreement signed for regional cooperation, and coordination of feed and eggs supply. This cooperation will help both parts to reduce the problem of less and very expensive poultry feed after the shortage of grain in region. SHPUK and KCBS met with premix supplier from Macedonia and discussed the possibilities for supply of poultry farms in Kosovo with a quality premix produced in Germany and Austria. 11 SHPUK members made a study tour to Croatia and visited the main suppliers of poultry equipment, animal feed ingredients including vitamin and mineral suppliers, as well as visiting some important poultry producers in Croatia. SHPUK presented the Croatian experience on production and quality control standards to the association members.

During the quarter SHPUK provided one-on-one technical training in best practices and animal feeding on poultry. Due to a shortage and high price of some feed ingredients, some farmers are using different feed rations which led to decreased egg production rates and weight. SHPUK worked with Company TAKA on the best farm practices for broiler parent farm and supply schedule for day old chicks in order to increase the opportunities for the broiler production in Kosovo. Staff visited poultry farms that have started broiler production and provided data on sales of broiler meat, and the information for slaughtering of broilers that is the main barrier for broiler production in Kosovo.

**AKA:** Association engaged companies that provide training on implementation and certification for the ISO standards to provide information on management and quality standards to the Kosovo agribusinesses. Company CET held a workshop on ISO standards development and emphasized the future role of private companies to advance the management and quality standards. AKA hired specialist conducted the individual trainings on practical aspect of standard implementation.

Association worked on maintaining a member database to track contact history for members and nonmembers. A brochure on association activities was published and distributed to agribusinesses. AKA worked with agribusiness associations from the region to learn from their experiences and benefits from fuel tax exemption policies as this is a very sensitive issue. AKA will work on encouraging registration of agribusinesses that will help on reduction of informal economy. AKA President and three board members in separate meetings met with the representatives of MAFRD and with Kosovo President to discuss the shortage of feed ingredients and increase of 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. The tax exemption of fuel used on agricultural production in order to decrease the cost of production was also discussed at both meetings. In coordination with Albanian Agribusiness Council (KASH) and MAFRD AKA prepared a list of 13 Kosovo Companies that exhibited at Agribusiness fair in Albania on September 21-24. AKA and AKB had their booth where was also presented the KCBS support to the agribusiness sector in Kosovo. AKA contacted Regulatory Office for Energy to get a specialist for the individual trainings of enterprises on proper use of Maxigraf and other electrical equipments. This training that will start in October aim to improve the use of electricity and decrease the electrical bill.

**Activity 8.2.2: Support two new cluster associations in developing first year work plans from their four year strategic plans and issue SAF grants.**

**BCC:** The BCC executive resigned at the beginning of this quarter . Since the grant award in Nov. 06 three executives have been changed and the association has never been fully functional. The problems with the executive have caused permanent delays in the performance of grant activities. This quarter KCBS Grant Selection Committee convened to discuss performance of the grantee and difficulties BCC has encountered in implementing the grant activities. After considering the situation with BCC and reviewing the progress to

date, the committee decided to suspend the KCBS grant to BCC until the following conditions are met by the association:

- Hire an executive or management company to manage BCC activities, including grant activities;
- Have at least 10 new dues-paying members by December 31, 2007;
- Hold at least three board meetings during the suspension period (tentatively in September, October, November) to discuss reorganization and revitalization of the association.
- Submit a detailed action plan for the performance of the pending grant activities, including specific dates for activities and responsible persons.

The Head of BCC Board consented to the suspension conditions, even though he found the condition on 10 new members very challenging. In a number of occasions we have made clear to BCC Head of the Board the KCBS' intention to continue working with BCC notwithstanding the suspension and supporting them toward meeting the conditions. We also believe that the association will use this period to reflect, reorganize and build its internal capacities.

**KACP:** The main project carried out by KACP during this quarter was the two days seminar "Concrete in Construction" held during September 11-12 in partnership with the Faculty of Construction and Architecture. The seminar was a great success with more than 70 attendees participating in both days. 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). Eleven speakers gave lectures during the two days of the seminar. Participants received certificates for attendance and the compilation of seminar papers (including 12 papers). An attendance fee of €3 for students and €15 for other categories was applied (with exception of sponsors and donors). More than €300 was collected from the entrance fee alone, adding to several thousands of euros raised in sponsorships. This activity is the first project of a KCBS sponsored association entirely independent of any donor or grant money. The project was initiated by the technical committee of KACP and was in addition to the schedule of grant activities. Even though no grant money was made available, KCBS provided technical and logistic support to this project. The success of this project (which the first organized by KACP) puts KACP in the lead of our industry associations.

The review of KACP financial data shows that the association is in very good financial health. Within a very short period KACP increased own-generated revenues to €8,657 (€4,700 coming from dues and €3,957 from fees and sponsorships). KCBS support to this association counts only for 13% (i.e. €1,329) of their total budget. This is the best indicator reached by any KCBS supported association in the course of our project.

#### ***Activity 8.2.3: Implement a certification program for association executives***

This activity is suspended

### **8.3 Strengthened Business Consulting Capacities**

**KCBS/BAS forum on consultancy sector:** KCBS has established good relationship with BAS Program. We have discussed in a number of cases with Ekrem Hoxha, Director of BAS Program, our concerns related to the consultancy sector in Kosovo. The main goal of the BAS program is to remove barriers to doing business, improve competitiveness and management of SMEs through the use of consultancy services. The second important goal is to increase the consulting capacities in Kosovo to market demands. Along these goals BAS program has assisted more than 90 businesses through subsidizing up to 50% their consultancy contracts and it has developed a database of 42 local consulting companies. In addition, BAS has its internal accreditation scheme for consulting companies that have provided services to BAS' clients. Mr. Hoxha explained that their group of consulting

companies is interested to further promote the profession and is in favor of some professional forums to discuss the problems concerning the consulting industry.

As the goals of BAS program are similar to KCBS business environment component, partnering with BAS is very important for KCBS. BAS was very supportive of BCC in its initial phase, more than a year ago. Due to little progress of the association, BAS is skeptical about the efficiency of the organization and its level of representation of the consultancy sector. We discussed how to make BCC a more functional organization and open it to a larger group of consulting companies. We agreed with BAS on hosting a joint conference/forum on the future of consultancy sector in Kosovo, in which all stakeholders will contribute. The conference/forum will engage all stakeholders, including BCC, leading local consultants, major clients of consultancy sector, donors and government agencies. This activity will be a good opportunity for BCC to promote the association and its code of conduct.

**Cooperation with EAR project VET 4:** Discussed with Chief of Party of EAR Project “Vocational Education and Training 4” about their planned activities under this new project. The main focus of the project is on vocational education and training made available at company level. OEK is the beneficiary of this project, and will serve as the link between this project and the private sector. [KCBS promoted the role of smaller industry associations in providing training programs and serving their members’ needs. We suggested to them that industry associations be considered as local partners, in addition to OEK, under this project.]

Another important goal of this project is strengthening the local consultants’ capacities, including an accreditation program for consultants run by the private sector organizations. Establishing an association of management consultants in accordance with the Institute of Management Consultants (IMC) model is one of the activities planned under this project. We informed VET 4 about BCC, their mission and plans for an independent certification program for consultants. We also discussed BCC plans and steps taken in becoming an IMC member. We advised them to work with existing associations, like BCC to bring forward the consultant’s profession, instead of establishing a new association from scratch. In a separate meeting between VET 4 and BCC, facilitated by KCBS, similar messages are reinforced. We provided to VET 4 detailed information about industry associations and BSPs, including those operating in minority areas. Further interaction with this project is anticipated.

#### **Activity 8.3.1: Support BCC in designing Kosovo consultancy standards**

The BCC code of conduct is developed with KCBS support during quarter two. Since then the code has been widely promoted in the BCC regional meetings, meetings with donors, partner associations and government officials (in particular with SME department under MTI). The next event in which the code will be promoted will be the consultants’ forum/conference co-hosted with BAS Program. A compendium of quality standards per se is not developed.

#### **Activity 8.3.2: Support the development of a quality certification program to be owned by BCC**

Further support to BCC in developing a quality certification program is conditional to meeting the grant suspension criteria referred in 8.2.2. However, KCBS is joining efforts with other donor programs (like BAS and VET 4) to help local consultants improve the quality of their services.

### **8.4 Increased Use of Improved Business Practices**

**Improving financial management and encourage the use of BSP’s among KCBS clients:** To improve financial management KCBS has decided to introduce and implement accounting software in three poultry producer companies, Jazi, Maloku and Gjini Tag. During this quarter KCBS called for proposals and received five proposals from local IT and accounting companies. The KCBS reviewed the received proposals and recommended the

proposal of *Informatika Computers sh.p.k.* from Mitrovica as the best one. The implementation of this project started in September.

**Activity 8.4.1: Disseminate the findings of the SWOT analyses on the BSP market.**

This activity was completed in the first quarter.

**Activity 8.4.2: Train at least 20 accountants in minority areas on Kosovo accounting standards.**

This activity was completed in previous quarters.

## **8.5 Improved Access to Credit**

Very little progress was made in this quarter. The five financial institutions, which had been trained to introduce leasing and purchase order financing to the market over the past nine months, continue to prepare their organizations and initiate internal structures and procedures to roll out these products. The status at the five institutions is listed below:

**KEP:** KEP is waiting for final approval from their legal department on the Repurchase Agreement with the Supplier that KEP drafted. This is the final legal document KEP drafted as part of their leasing package. They expected to receive final approval by end September and planned to introduce leasing immediately thereafter. KEP said they already have 5 leasing candidates. KEP will only do finance leases at this time. KEP has finalized all POF documentation, including policies and procedures, and is waiting for final approval from senior management this week. KEP plans to start the pilot POF loans in early October.

**New Bank of Kosovo and Kasa Bank:** Due to the Nova Ljubljanska Banka [NLB] buyout, both banks will not continue with the pilot leasing and POF programs at this time. NLB plans to introduce their own leasing policies, procedures and documentation, and will explore whether or not to introduce POF once NLB Kosovo is established in 2008 according to NLB guidelines.

**Atlantic Capital Partners:** ACP is waiting to receive additional "capital funds" from Deutsch Bank and Oiko Credit in the amount of approximately Euros 400,000. ACP hopes to start leasing in November. CBAK and ACP have also reached agreement on all documentation, procedures and software for leasing.

**Bank for Business:** All leasing contracts and policies have been approved and the bank started leasing the week of September 17 followed by an official launch of their marketing for leases. The Bank has already purchased 10 cars and will start with auto leases initially. The Bank also said it has purchased 6 air conditioners and will start leasing A/Cs as well. The Bank indicated it would be interested now in exploring the introduction of POF loans.

However, KCBS recently learned that the CBAK has demanded a change in the senior management of BpB. The CBAK is of the opinion that BpB does not have the managerial capability to handle neither these new products nor existing loan instruments. Although a first leasing project for a tractor was initiated, it was finally consummated as a traditional loan.

## **8.6 Cross-cutting Themes in the Business Operating Environment**

**Promoting Women in Business:** KCBS continued to provide support to NGO Lady, specialized in fine baked products. In a very short period this association became one of the few market oriented and self-sustainable organizations in Kosovo with more than 100 members. The members of the association are women involved in production, who passed the trainings of the association on preparing fine baked products and started their own business, or those who received temporary or permanent employment through the association. This multiethnic organization currently employs nine female workers and it has a well equipped production and selling facility. EAR/Marketing Support Project is currently

assisting Lady to prepare a marketing plan and promotional material, including design of new packaging material.

KCBS awarded a grant to Women Business Association "Avenija" for installation of new PVC doors and windows, engineering flooring, insulation of a north outside wall and tiling of veranda in their mini-factory in Laplje selo. The association already has new equipment (8 sewing machines and two looms) donated by the Finnish KFOR. After the construction work is finished and equipment is installed, the association will organize training for at least 15 women to use this equipment. IOM/Support for the Stabilization of Communities project funded by EAR expressed willingness to support WBA Avenija to cover their training costs.

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. GTZ has expressed interest to work with women organizations engaged in production activities, rather than those focused on handmade products, the typical case for women businesses in Kosovo.

KCBS worked with Women for Women International Kosovo (WfW) in a few occasions. KCBS provided them with comments and suggestions on further improvements of their business plan for a Women's Opportunity Center (WOC) prepared by Riinvest. We also provided to WfWIK a list of local consulting companies that to our judgment and experience are competent to conduct feasibility studies for similar projects. WfW selected UBO consulting for a feasibility study for the WOC as per our recommendation

NGO Mundësia and Women Business Association, both from Mitrovica after the successful organization of the recycling campaign, supported by KCBS and ATRC, initiated a new project for the collection and recycling of waste in the Mitrovica region. These two associations are interested to establish a company for recycling aluminum cans, paper and glass. After discussion about planning activities, KCBS provided them with suggestions on what should be done, before starting with the preparation of the business plan for EAR/IOM project. KCBS will continue to follow up these activities and provide technical support as needed.

***Accelerating Private Sector Growth in Minority Areas:*** KCBS's work with businesses in the Minority Areas is intimately tied up with all of its work across Kosovo in pursuit of the project objectives for the clusters and the business operating environment. Therefore references to work in the minority areas will be found under sections throughout the report. However, a summary of this work follows below:

- In Strpce municipality KCBS with the Lahor dairy plant organized milk sampling and testing at the KVFA laboratory of milk from the farmers that deliver milk to Lahor. Test results showed that the milk quality from most of the farmers is not at a satisfactory level. In order to improve quality KCBS delivered instructions, brochures to the farmers with face-to-face consultations.
- KCBS actively supported cooperative Agro seme from Gračanica. This cooperative was linked with animal feed producers from other parts of Kosovo and with poultry farm ADI from Lipljan. Agro seme has sold 500 tons of wheat, 180 tons of barley and 40 tons of oats. Due to the very dry season and lack of hay KCBS encouraged farmers to consider planting some small surfaces to an alternative species like sudan grass. KCBS with Cooperative Agro seme organized one test plot of this grass.
- KCBS also supported start-up business in three IDP returnee villages: Grabac, Suvo Grlo and Babush. Farmers from these villages have a need for agriculture equipment for work on the farms. KCBS will work with other partners in order to assist returnees in starting some self-sustainable business operation to facilitate their integration into Kosovo economic life.
- For the Agrohit association from Leposavic municipality KCBS through SAF funding is providing equipment for three MCC's which will improve the milk quality control and also help prevent payment disputes between the MCC's and milk processors.

- KCBS is assisting the sheep breeders association, Golden Fleece, by providing sheep shearing equipment, a electrical generator and some veterinarian equipment what will have an impact on the hygiene and overall health of the sheep in the Leposavic Municipality.

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. On the last day of September, USAID confirmed acceptance of the KCBS proposal, and issued Modification No. 5 to the Contract. Illustrative list of tasks that may be considered under this modification are:

- Add closed pipeline milking system and complete demonstration farm in Leposavic
- Complete animal slaughtering facility in Leposavic.
- Construction and equipping of new production facility to make new plastic egg containers in Mitrovica.
- Project to support recycling of waste construction materials in Zvečan
- Expand wood processing to reduce imports of similar semi-finished products in Zubin Potok.
- Support two Women's Associations to set up a sustained recycling program in Mitrovica.
- Rehabilitate dairy enabling production of profitable line of yoghurt in Strpce.
- Establish poultry and feed manufacturing facility for returnees in Babush village.
- Provision of equipment to Serb farmers' associations.
- Develop collection centers handling mushrooms, juniper berries, rosehips, blueberries etc. in three Municipalities.

In addition the contract modification includes a project for KCBS to develop and implement a program to provide approximately 3,300 workdays of employment for young, unemployed workers in three selected municipalities. The scope of work shall focus on clean-up of trash from such places as river beds, ditches, around residential complexes.

## 9.0 MARKETING AND TRADE LINKAGES

[NOTE: In September 2006 a Senior Competitiveness Advisor joined the KCBS project to lead the new Marketing and Trade Linkages team [MTL], formerly identified as Sales and Marketing within the General Business Support Services. Since the Year 3 workplan was drafted only in-part with the MTL leader's input (based on initial assessments of marketing and linkage needs), several activities have since been modified/added from what was originally envisioned.]

### **Activity 9.1: Coordinate Regional Linkages and Cooperation**

**Blueberry Buyers Trip:** KCBS assisted company Scardus in a brief follow up visit by three companies from Arilje Serbia who are potential buyers of Kosovo blueberries and who together (along with staff from USAID/IRD project Serbia) visited Kosovo blueberry exporters in April 2007. This visit was appropriately timed prior to harvest season and all companies expressed interest to purchase frozen blueberries for this season. The visit also was a good learning experience for Mr. Dobrivoje Stevanovic owner of the Scardus who had chance to observe complete process from receiving of the goods (in this case raspberries), preparation for freezing, storing and processing of frozen raspberries.

**Tirana Trade Center:** As a result of the Linkages Trip to Albania in the third quarter, the MTL team has been investigating the concept of facilitating the establishment of a trading center in Tirana that could represent Kosovo products (mostly food) to potential buyers and distributors. Since this idea was raised by a number of Albanian companies and associations as a key component to complete the trade value chain with Kosovo, KCBS met with Elkos, Gllareva and Devolli who had opened up their own distribution centers to represent their products throughout Albania. But due to extremely difficult competitive conditions (mostly imports from Greece and Italy) and arson attempts that destroyed portions of their centers, both companies declined participation in advising or assisting in the establishment of such an operation. This said, MTL has consulted with OEK who is pursuing this concept through association and government channels to see if there may be enough top-down support and leverage to bring this concept to fruition.

**Debt Reimbursement:** KCBS was asked by Anadrini F&V association to help on reclaiming outstanding debt from previous orders that happened in year 2005 from Alcred F&V company in Albania. Alcred went bankrupt with the debt to different F&V suppliers from Albania, Macedonia and Kosovo. Since Anadrini had not succeeded in arranging meetings with old/new Alcred/QTU company a joint visit of KCBS and Anadrini association to new Alcred/QTU company manager in Tirana was finally successful. The debt caused by Alcred in the amount of €8,300 to Anadrini F&V association in Xerxe has been reimbursed 100%.

**MTL Conference and Trip Follow-up:** In order to evaluate the impact from the Marketing & Linkages Conference held in March and the Linkages trip to Albania and Montenegro in June, MTL has been conducting an audit among KCBS Clients and linkage partners to identify any deals, outstanding leads or incomplete follow-up that we may assist with in order to secure sales for Kosovo business. Knowing that statistically it takes 18 months on average for linkages to mature into solid business transactions, Kosovo appears to be no exception. Although many companies have acknowledged the value of the presentations and the business contacts made, only approx. €40,000 transactions have resulted thus far from linkages. Consistent hand-holding and pressure is being applied to KCBS clients to follow-up on the sales calls made on their behalf but many seem strapped for time, cash and production capacity to realize any linkages in the short-term. However one success in promoting Kosovo's Engineered Wood Flooring in Albania may come from an article that was published in a monthly professional magazine Ndertuesi in Albania with countrywide distribution of 1500 copies.

**B2B activity with EDEM:** As a result of the Marketing Linkages trip to Albania to realize the vast opportunities for cooperation among Albanian and Kosovar businesses, KCBS proposed to USAID EDEM project the idea to organize a Business to Business (B2B) conference in order to provide a platform for direct and efficient contacts between respective

clients. Targeted clusters that were to be represented include: Fruit & Vegetable, Medicinal Herbs, Olive Oil, Dairy and Processed Meat. Key regional and European buyers would be invited along with key companies dealing with transportation and packaging and customs officials from Kosovo and Albania to discuss the logistics processing of export/import. Although much of the background work has been completed, EDEM expressed interest to postpone the event from the initially targeted time of November until 2008. In the meantime both partners will work with their respective clients to promote this opportunity.

**Support to RCI:** As part of KCBS's cooperation with other regional donor assisted programs, the MTL team assisted USAID's Regional Competitiveness Initiative program. In addition to advising the RCI on potential activities to benefit regional programs and to writing articles for their quarterly newsletter discussing program activities both in Kosovo and the region (trade linkage trip) countries, KCBS hosted an RCI representative for 5 days. Numerous meetings were arranged with local staff, visits to various KCBS clients planned, local research conducted visiting retailers, and obtaining reports produced by other donor organizations. KCBS hopes RCI's regional tour produce concrete, tangible results that will benefit local businesses and regional trade promotion.

### ***Activity 9.2: Launch Marketing Internship Activity***

KCBS made substantial progress in the 4th quarter in implementing the first phase of the Marketing Internship Program (YR4). The objective of this activity remains 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. A Steering Committee has been formed comprised of all the relevant stakeholders including the local universities (AUK, UBT and University of Pristina), OEK, KCBS and potentially a business representative. All members have agreed to active participation in the development, recruiting and implementation of the program. A detailed workplan has been approved and KCBS agreed to provide grant assistance via OEK to increase the monthly wages received by the students in order for these internships to be competitive with other opportunities for which they may be recruited (250-300euro/month).

### ***Activity 9.3: Accelerate Dairy Industry Market Analysis***

In response to a Livestock initiative, KCBS commissioned a research study with a local BSP to better understand the potential market for a smaller, premium priced sheep cheese product in the Pristina market. Unfortunately, the results clearly indicated that Pristina is NOT a good market to introduce new versions of 'premium' sheep cheese. 200 qualified shoppers were interviewed in their homes and asked to provide detailed information on their perception of sheep cheese which included health concerns (high fat), hard texture, extreme saltiness and an unwillingness to pay more for better, smaller packaging. The local processor will still proceed to improve the quality of their product and vacuum pack a smaller package primarily for the Prizren market; KCBS will assist with package design.

A separate research initiative involved the preparation of an RFP to be released for 1st quarter implementation to conduct a thorough, industry wide Dairy study for all of Kosovo. Again, in coordination with the Livestock cluster, this report will provide critical information to all processors and associations wanting to prepare their businesses for the future of Kosovo Dairy sales. Once a local BSP is selected, the MTL team will work with them closely to produce a study that will be made readily available to any interested parties, including FDI in the sector.

### ***Activity 9.4: Ongoing Awareness for Kosovo Recycling***

After the school holiday season, two NGO's, WBA and Mundesia, continued with PET recycling awareness campaign among elementary school kids. Secondary school students continued with delivery of the brochures and with one class lecture about recycling and environment protection. Main event was on held on September 12th, international day of youths, when in all elementary schools participated in a ceremony that was dedicated to the

discussion of environment protection. PET containers placed in school yards are in operation and more and more PET bottles have been disposed in the containers.

Overall, through KCBS support (purchase of PET compacting equipment), the recycling awareness campaign and mostly private investment of Niti Com, recycling company from Ferizaj (company invested €25,000 in compacting equipment), the quantity of the collected and exported PET waste in last quarter reached 120.5 tons which compared with first quarter quantity of 61 tons represents an increase of close to 100% (97.5%) with the tendency to steadily increase in next period by involving more collectors and attracting more effective collection in some other towns of Kosovo.

#### ***Activity 9.5: Improving Association Marketing Capacity***

KCBS provided extensive assistance to AKB in executing the communication components of their “Informal Economy” grant. The Association had identified the need to produce a brochure and television spot designed to increase both consumer and businesses awareness of the harm of the informal economy. In an attempt to increase the associations’ capacity to hire the most qualified marketing agency/designer to assist them in meeting their objective, KCBS contacted a number of qualified agencies to participate in a pre-bid meeting to review a detailed creative brief (prepared by MTL) for the project. The agencies had the opportunity to ask specific questions and to draft their proposals based on a very simple communications document that outlined AKB’s objectives, target audience, strategy, support points and creative suggestions (for the specific format). Upon selection of an agency, KCBS remained as an advisor in the completion of the final TV spot but had minimal involvement with the brochure (eventually produced as a booklet containing a consultant’s analysis of informal economy in Kosovo).

#### ***Activity 9.6: Promoting Presentation of Local Products***

MTL has begun the process of preparing to host a packaging design workshop in Kosovo for local agencies/designers and KCBS clients interested in improving their food packaging. While the team attended PakTec Trade Show in Belgrade promoting packaging suppliers and filling lines, they also met with a local packaging design specialist who agreed to create a workshop and provide direct consulting to companies prepared to improve their packaging. A survey has also been prepared for agencies and processors to make sure the event would meet their needs. To this end, visits were made to all dairy processors to conduct a packaging/brand audit and to discuss the need/possibility of producing a brochure to represent their current line of production. An additional component of the event will include a supplier side presentation where they can display their containers, demonstrate labeling abilities and discuss orders with processors.

#### ***Activity 9.7: Coordinate Local Donor Assistance Projects***

As part of its efforts to coordinate and maximize impact with similar assistance projects, MTL maintains consistent communication with a number of local donors.

- ***EAR Export Promotion Project:*** Instead of planning a parallel training program on export assistance, MTL invited KCBS clients and provided information for the EAR Export Readiness Workshop in Pristina which included approx. 25 donor, ministry and (few) business persons. Materials were well prepared and complete in providing guidance (and resources) for any company that would like to export. Foreseeable problems include too much information, focus on areas which will not be implemented by most companies (export plan) and limited attendance from businesses. In the future, targeted export assistance will be provided directly to clients with buyers.
- ***EAR Program Coordination:*** MTL represents the KCBS project among all the other EAR assistance projects during their quarterly update meeting. Specific information regarding the marketing internship program and assistance with MCC’s was providing to their implementing partners for follow-up.

### **Activity 9.8: Conduct Special Marketing & Linkage Activities**

Since MTL was designed primarily as an internal support center for the KCBS project, all of its initiatives are either directly or indirectly linked to one of the Clusters. Therefore, some of the MTL activities provide additional marketing/linkage-related assistance for the Cluster Specialists whereas many of the other aforementioned items are larger projects lead by MTL for the direct benefit of our clients or associations. The following list details a number of these specific cluster support activities:

- **Expanding Distribution Channels:** As a result of over production of white cheese, KCBS client Parku-u approached MTL to assist in sales of Sharri sheep cheese product to new retailers. Based on a series of meetings, sample deliveries and price negotiations, a number of new hypermarkets in Kosovo like Bamex, Ben-af, Interex and Viva have begun selling these quality products. Park-u has already sold 2 tons of his farm processed cheese in traditional manner.

Another example of access to markets occurred with ABEA Company who is one of largest F&V and other food product trader in Ferizaj and Lipjan area. They were linked with package carton box manufacturer Rentabil from Xerxe. This company started to deliver packaging for their client farmers from whom they regularly purchase vegetables. Value of transaction between Abea and Rentabil is €10,000. Abea plans also to invest in their own vacuum package line which will be first one in Kosovo for this type of F&V package. Seasonal F&V transaction between Abea and local farmers is in value of €40,000. As a result of this linkage there is a delivery of locally made packaging to local farmers and a new opportunity for better packaging in hypermarkets for Kosovo products.

- **Re-activating Decorative Stone Export:** Since the KCBS decorative stone project had been passed to EU IPA (Investment Promotion Agency) there have been no tangible results on new sales or new investors expressing interest to invest in this industry. This project has been reassumed by KCBS to merely facilitate any potential interests or sales to may arise. MTL reactivated engagement with a Hungarian company who exported several truckloads. Also, as a result of the decorative stone report prepared by Italian specialist and a trade promotion brochure delivered by KCBS, the first shipment of Kosovo decorative stone has been sold in US Atlanta, through Geni-Llc Co.

- **Facilitating Fertilizer Trade and Distribution:** Since Kosovo does not have any fertilizer production capacity for the moment, five main distributors in Kosovo have interest to find better quality imported fertilizers. To assist in lowering the input costs for KCBS clients, MTL linked these companies with fertilizer blending plants in Albania. And due to recent price fluctuations in the market, some of these importers are interested to invest in fertilizer blending plant in Kosovo which would raise the quality and increase crop harvesting while reducing price.

KCBS provided linkage to export animal feed from Jazi in Kosovo to Fogi dairy farm in Tirana. Fogi agreed to visit Fauna booth at Agribusiness fair in Tirana 21-24 September where Jazi will display their animal feed products.

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

For this reporting period (July–September), KCBS awarded six grant agreements, and three subcontracts. The value of signed awards for this quarter was €71,085. Of this amount €47,288, were awarded for grants and €23,797 for subcontracts.

During this reporting period, three grants and one subcontract were awarded to Livestock Cluster worth €28,826, two subcontracts to Construction Materials Cluster worth €14,647 and three grants for General Business Support worth €27,612.

From the start of the project until end of September 2007, KCBS has signed 58 fixed price subcontracts, 53 grant agreements and four procurements of goods through SAF. The total value of signed subcontracts, grants, and procurement of goods is €1,638,650. Of this amount, €1,013,414 has been awarded for grants, €561,499 for subcontracts, and €63,737 for procurement of goods. 15 grants 28 subcontracts and four procurement of goods were awarded for the Livestock cluster in total value of €632,168; 11 grants and three subcontracts with Fruit and Vegetables cluster worth €264,497; six grants and four subcontracts in Construction Material cluster worth €75,784; and 23 grants and 21 subcontracts, for General Business Support €666,202.

Three grants that fall under Livestock Cluster were awarded to the following organizations;

Agrohit;	Support for milk collection centers in minority regions
Bylmeti;	Support for implementation of HACCP in Bylmeti dairy plant,
F.A. Ajka;	Support for Creation of Milk Collection Center in Viti

Three grants that fall under General Business Support were awarded to the following organizations

KDPA;	Implementation of KDPA strategic plan year II
KCC;	Creation of legal office within Kosovo Chamber of Commerce
Avenija;	Rehabilitation of women's mini textile factory in Laplje Selo

One subcontract that falls under Livestock Cluster was awarded to;

Informatika;	Implementation of accounting systems at three poultry producers
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Two subcontracts that fall under Construction Materials Cluster were awarded to following organizations

Riinvest;	Forest Industry Study
A-Design;	Technical information for Insulated Materials

During this reporting period KCBS SAF selection committee decided to suspend the grant to BCC for a period of up to end of December 2007, and gave conditions to BCC that it needs to meet before reinstating the grant agreement. BCC concurred with the decision of KCBS for suspension.

In July KCBS dismissed previous SAF Administrative Assistant for gross misconduct. He was replaced in a short period of time by Edita Ajeti who started working in that position from August 10.

Just before the end of the quarter, SAF issued one RFA "Mass Production of Vegetable Transplants" and expects to receive applications from different organizations on October 24. SAF also issued an RFP "Dairy Market Study" and deadline for sending the applications for this RFP is October 12.

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

## 11.0 PERFORMANCE-BASED MANAGEMENT SYSTEM

### 11.1 Summary

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

### 11.2 Data collection

The data is collected from 111 companies in all three clusters. The data for non-client companies on blueberry collection is consolidated in one figure and presented in the table of the data for Fruit and vegetables cluster as “Blueberry collectors”.

From this number of companies, 23 companies are not active. 12 new companies were added during this quarter as explained in Annex, Cluster breakdown of activities, and three dropped from active clients.

Indicators for performance at the quarter end are as follows:

	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% <sup>2</sup>
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

- ◆ Main contributors to the increase in sales are companies Abi, NewCo Silcapor, FAN, Devolli, Pestova, Tulletorja, Rona, Xeni, Fitofarma, Ajka, Bylmeti, Adi and Agroproduct Commerce (companies are listed here according to their respective contribution), representing approx. 81% of the total increase in sales. Abi is topping this list with total increase in sales over annualized baseline of 16 million euros.
- ◆ Main contributors to the increase in employment are companies NewCo Silcapor, Agroprodukt Commerce, Tulletorja, FAN, Soni, Bejta Commerce, Hit Flores, Papenburg & Adriani, Ukaj, Pestova and Korenica with total of 2,412 FTE or 57% of the total increase in employment. Unchallengeable leader is NewCo Silcapor with increase of 692 over baseline.
- ◆ Main contributors to the increase in financing are companies Tulletorja and NewCo Silcapor with total of €4.9 million, or 44% of the total increase in financing.
- ◆ Main contributors to the increase in investment are companies Tullëtorja, NewCo. Silcapor, FAN, Fetoshi, Bejta Commerce, Eskavatori, Kabi, Korenica, Ukaj and Korrotica. All companies, except Kabi, belong to the construction cluster. The total increase in investment for these companies is 22.2 million or 72% of the total increase in investment.

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<sup>2</sup> Represents the percentage of total sales to date over total ANNUALIZED baseline sales by all companies currently in the database. Total sales to date are €12,460,336 and total annualized baseline figure for companies is €127,955,009.

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

Number of companies assisted	44
Number of active companies	38
Increase in sales - euros (in millions)	42.88
Increase in FTE jobs	1,119
Increase in financing – euros (in millions)	1.87
Increase in capital investment – euros (in millions)	5.73

### **11.2.2 Fruits and Vegetables Cluster**

Number of companies assisted	37
Number of active companies	29
Increase in sales – euros (in millions)	12.87
Increase in FTE jobs	1,013
Increase in financing – euros (in millions)	0.64
Increase in capital investment – euros (in millions)	1.20

### **11.2.3 Construction Materials Cluster**

Number of companies assisted	31
Number of active companies	22
Increase in sales – euros (in millions)	28.76
Increase in FTE jobs	2,067
Increase in financing – euros (in millions)	8.67
Increase in capital investment – euros (in millions)	24.01

### **11.3 Quality of the data.**

The cluster advisors are responsible for the first-order data quality control. The quality checks have been made to ensure that data collected and included in database are accurate and reliable. Every single transaction entered in database was checked for accuracy.

#### **11.4 Data verification**

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

#### **11.5 Status of the Indicators**

The status of Project Indicators is set out in the Annex entitled Performance Data. The Annex gives the status of three sets of indicators:

- A. Established Indicators – those set at the start of the Project
- B. Additional Indicators agreed in April 2005
- C. New Common Indicators that were added at the start of Year Two.

## **11.0 COMMUNICATIONS AND PUBLICITY**

KCBS communications team has kept the same pace and enthusiasm during the third quarter. The team has striven to engage in as many activities as possible even during what is known to be “a very quite season” and disseminate the message of the KCBS Project and USAID.

### **11.1 Events**

KCBS hosted a seminar for blueberry exporters on international markets and marketing of blueberries. The main presentation was by Tom Payne, a STTA and international expert in this subject. The owners/directors of eight Kosovo blueberry exporting enterprises attended.

More than 70 representatives of MEF, MTI, Tax Administration, Custom Service, Kosovo Investment Agency, EAR, Municipality of Prizren, Peja and Ferizaj and business community participated at AKB mid report conference. The aim of this conference was to present the work on informal economy until now and future steps, and to coordinate the activities among businesses and decision-makers. All attendees at the conference emphasized this project as a very important for Kosovo economy and were thankful to USAID/KCBS for supporting this project. Many ideas that will attract the business community to join the formal economy and for registered businesses to pay taxes regularly were presented at the conference.

On 7 September 2007 the USAID/KCBS project was pleased to assist Agroprodukt Commerce in Podujeve in hosting a first class celebration of HACCP certification. This is the first HACCP certification of a food processor in Kosovo! Agroprodukt Commerce is the leading agricultural company in Kosovo engaged in the collecting, preparing and exporting of wild mushrooms, blueberries and blackberries. By achieving the highest level of food safety certification, Agroprodukt Commerce will be able to retain its existing client base while also seeking new markets worldwide. About 125 people attended and the keynote speaker was Michael Farbman, USAID/Kosovo Mission Director.

KACP’s two-day seminar “Concrete in Construction” was a great success story. The seminar was held on Sept. 11-12 and more than 70 attendees participated in each day of the seminar. Such turnout exceeded all expectations of the organizing team. Attendees included university students, KAPC member companies and public officials. More than 10 speakers delivered lectures during the two days seminar including a speaker from Slovenia and one from Albania.

A ribbon-cutting ceremony was held to open a food processing and storage facility recently constructed by Scardus Company and Qingjat e Sharrit Cooperative in Shterpce/Strpce. The facility has installed new cooling chambers for processing, freezing and frozen storage for mushrooms, blueberries, rose hips and other wild fruits collected from the forests of the Sharri Mountains. This facility was made possible through a formal joint venture between Scardus Company and Qingjat e Sharrit Cooperative. It will allow the partners to freeze products that in the past were exported fresh to buyers in the region at low prices; now, they will be store products, and export when demand and prices are higher. Seventy percent of the financing is from the joint venture partners, with the remaining 30% from a USAID grant through USAID’s Kosovo Cluster and Business Support project.

The event gained an even more prestigious image as Tina Kaidanow, US Office Pristina Chief of Mission spoke at the opening ceremony. Media attention was more than satisfactory with local and national media attending the event.

On 24 September, KCBS hosted a successful seminar for agricultural lenders and credit managers, focused mainly on production budgets and recordkeeping forms. There were 10 presentations from members of the Livestock and F&V Clusters. The audience was composed of 40 loan officers from nine commercial banks and micro-finance institutions.

## **11.2 Publications**

KCBS has focused in crafting a biweekly newsletter, "A project feedback to our stakeholders". Its first edition is due in October and it will be distributed to ministries, governmental agencies, associations, donors, KCBS partners and even private businesses. This publication will be published in three languages: English, Albanian and Serbian.

The brochure on decorative stones (a 2005 KCBS publication) has been republished per request of the Marketing and Trade Linkages team and will serve to promote the decorative stones of Kosovo in a Las Vegas Decorative tiling show.

In our effort to drive the associations to become self-sustainable, KCBS has set them in motion towards taking more initiative in creating their own publications that will serve as a tool towards building their reputation in Kosovo. However, KCBS has never ceased to be of any help

KACP has put together a new brochure introducing the association and its services.

AKB on the other hand, has put together a bulletin on Informal economy as part of their campaign. Additional to that it has produced TV spots which are being broadcasted in several TV stations.

## **11.3 Media:**

- An article on Korenica was written for "Ndertimtari", a monthly magazine on construction published in Albania
- Infopress: Article about Korenica where USAID's help through KCBS was recognized
- Scardus and Qingjat e Sharrit event: articles were published in Koha Ditore and Zeri. This event was also covered by RTV21, RTK and several other local TV stations (especially in minority regions)

## **GLOSSARY OF ACRONYMS**

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

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

<b>KACP</b>	Kosovo Association of Concrete Producers
<b>KAMP</b>	Kosovo Association of Milk Producers
<b>KBA</b>	The Kosovo Bankers Association
<b>KCLB</b>	Kosovo Center for Livestock Breeding
<b>KCBS</b>	Kosovo Cluster & Business Support
<b>KDC</b>	Kosovo Development Center
<b>KDPA</b>	Kosovo Dairy Processors Association
<b>KEK</b>	Kosovo Energy Corporation
<b>KEP</b>	Kosovo Enterprise program
<b>KFA</b>	Kosovo Forest Agency
<b>KODAA</b>	Kosovo Agricultural Input Dealer Association
<b>KPS</b>	Kosovo Police Service
<b>KSDP</b>	Kosovo Swiss Dairy Processing and Marketing Promotion Project
<b>KTA</b>	Kosovo Trust Agency
<b>KVFA</b>	Kosovo Veterinary Food Agency
<b>LC</b>	Letter of Credit
<b>LLC</b>	Limited Liability Company
<b>LINK</b>	Kosovo Association of Civil Engineers
<b>MAFRD</b>	Ministry of Agriculture, Forestry and Rural Development
<b>MAP</b>	Mono-ammonium Phosphate
<b>MCC</b>	Milk Collection Center
<b>MESP</b>	Ministry of Environment and Spatial Planning
<b>MEM</b>	Ministry of Energy and Mining
<b>MFI</b>	Micro Finance Institution
<b>MM</b>	Millions
<b>MOU</b>	Memorandum of Understanding
<b>MT</b>	Metric Tonnes
<b>MTI</b>	Ministry of Trade and Industry
<b>MTPT</b>	Ministry of Transportation, Posts and Telecommunications
<b>NGO</b>	Non-Governmental Organization
<b>NIR</b>	Near Infrared Reflectance
<b>NPK</b>	Compound Fertilizer (Nitrogen-Phosphorus-Potassium)
<b>OEK</b>	Chamber of Commerce of Kosovo
<b>PET</b>	Polyethylene terephthalate
<b>POF</b>	Purchase Order Finance
<b>PPD</b>	Private Public Dialog
<b>QA/QC</b>	Quality Assurance/Quality Control
<b>RAS</b>	Rural Advisory Services
<b>RBKO</b>	Raiffeisen Bank of Kosovo
<b>RCAK</b>	Kosovo Association of Road Constructors
<b>RTK</b>	Radio and Television of Kosovo
<b>SAF</b>	Strategic Activities Fund
<b>SCAAK</b>	Society of Certified Accountants and Auditors of Kosovo
<b>SHPUK</b>	Kosovo Poultry Producer And Feed Miller Association
<b>SME</b>	Small and Medium Enterprise

<b>SOE</b>	Socially-owned Enterprise
<b>SOW</b>	Scope of Work
<b>STTA</b>	Short-term Technical Advisor
<b>SWOT</b>	Strengths, Weaknesses, Opportunities and Threats
<b>UNMIK</b>	United Nations Interim Mission in Kosovo
<b>USAID</b>	United States Agency for International Development
<b>USAPEEC</b>	US Poultry and Egg Export Council
<b>USDA</b>	United States Department of Agriculture
<b>WfW</b>	Women for Women Association

## ACTIVITY IN THE QUARTER – BY CLUSTER

KCBS intervened at 88 companies in the quarter.

Data has been collected for 38 companies from the Livestock [Dairy-Beef-Poultry-Animal Feed] Cluster, 28 companies from Fruits and Vegetables Cluster and 22 companies from Construction Materials Cluster. 12 new companies were added during this quarter, all in Fruits and Vegetables Cluster (Agroservis, Dinamanti, Fidanishtja Zahiri, Fruti, Fungo FF, Ideal Gashi, Lekë Duhani, Moni, Pema, Tini Commerce, UVB and Vesa). Two companies in Fruits and Vegetables Cluster turned into non-active. Also, one company in livestock cluster (Agronomi) seized its operations under this name. The owner established new company, and KCBS will decide further cooperation with this new company in the future.

In the tables and graphs below are presented cumulative data on primary indicators by cluster for all active clients (88 companies, plus data for blueberry collectors consolidated in one figure) and also data carried forward for KCBS inactive clients (23 companies).

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

Increase in sales in livestock cluster represents 51% of total increase at project level.

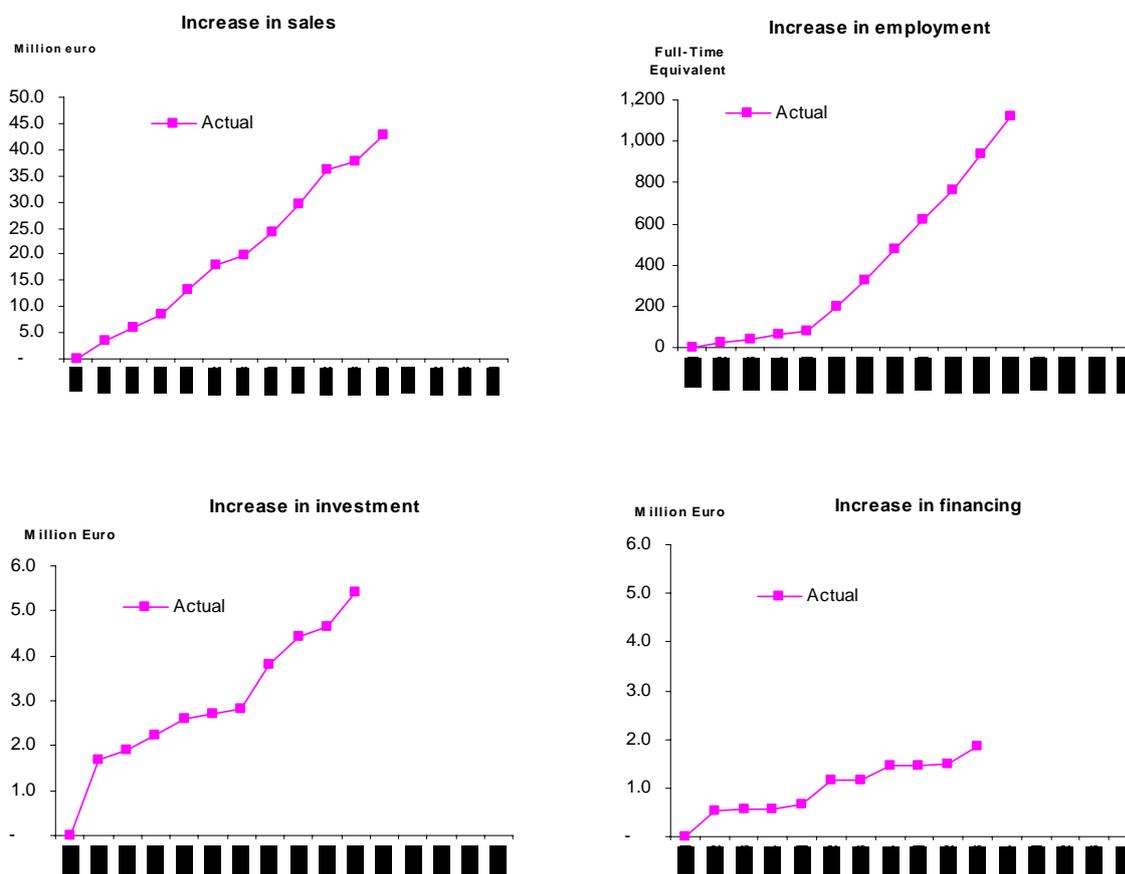
Out of 4,199 new FTE, the livestock cluster contributed 1,119 new jobs or 27% of the total increase in employment.

Increase in investment represents 18% of total increase.

Increase in financing represents 17% of total increase.

The main increase in sales continues to come from the two leaders of the livestock cluster, Abi and Devolli. Their increases in sales reached by the end of this quarter represent over 53% of the total increase in sales of active clients in the livestock cluster.

Below is the graphical presentation of increase in primary indicators in Livestock Cluster from the start of the project to date:



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

No.	Company name	Increase in sales	Increase in FTE	Increase in Financing	Increase in Investment
1	Abi	16,032,374	51	-	180,000
2	Adi	2,300,615	111	-	253,500
3	Agroleu	9,149	-	-	-
4	Agrounion	(3,420,060)	77	200,000	53,000
5	Ajka	2,319,997	29	8,200	71,500
6	Aldi	490,121	30	28,900	29,000
7	Bylmeti	2,304,113	46	107,300	222,500
8	Dardania Farm	125,480	2	-	31,000
9	Devolli	7,505,207	71	-	30,000
10	Disa	26,712	4	-	-
11	Diti	1,024,913	13	5,000	50,000
12	Euroлона	68,359	17	145,000	296,000
13	Fauna	1,154,391	26	300,000	800,000
14	Fit Dani	(158,131)	36	-	57,000
15	Fitofarma	2,365,831	26	-	79,500
16	Gjini & Tag	(932,336)	20	-	40,000
17	Golaj	218,195	16	32,800	66,000
18	Jazi	965,415	6	35,000	114,000
19	Kabi	(1,250,036)	44	600,000	1,230,000
20	Koxha Commerce	163,786	31	10,000	105,000
21	Lahor	(23,750)	9	-	-
22	Legjendasi	1,804	4	-	-
23	Lulja e Sharrit	478,213	10	150,000	40,000
24	Luma Commerce	(72,067)	6	-	-
25	Magic Ice	488,380	3	50,000	400,000
26	Maloku	516,854	29	-	125,000
27	Mazreku	383,269	17	5,000	96,950
28	Qengji	1,208,833	14	-	35,275
29	Rona	3,883,374	33	30,800	20,000
30	Rudina	247,845	28	-	-
31	Sazli	569,010	17	-	10,000
32	Shala	421,580	23	4,300	65,000
33	Sharri	92,000	1	10,000	5,000
34	Simental	29,722	4	-	-
35	Soni	1,536,924	182	-	959,500
36	Taka	549,509	30	-	60,000
37	Te Lirimi	51,328	2	-	-
38	Xeni	2,581,940	17	-	13,000
<b>Total active clients</b>		<b>44,258,863</b>	<b>1,085</b>	<b>1,722,300</b>	<b>5,537,725</b>

No.	Company name	Increase in sales	Increase in FTE	Increase in Financing	Increase in Investment
1	Agraria Commerce	108,924	7	-	52,200
2	Agronomi	(1,531,750)	15	-	6,800
3	Luli Commerce	-	-	-	-
4	Premium Vet	62,752	12	150,000	131,000
5	Teuta Mi	-	-	-	-
6	Tusha	(18,124)	-	-	-
<b>Total inactive clients</b>		<b>(1,378,198)</b>	<b>34</b>	<b>150,000</b>	<b>190,000</b>
<b>Grand Total</b>		<b>42,880,665</b>	<b>1,119</b>	<b>1,872,300</b>	<b>5,727,725</b>

## 2. Fruits and Vegetables Cluster

Increase in sales in Fruits and Vegetable cluster represents 15% of total increase at project level.

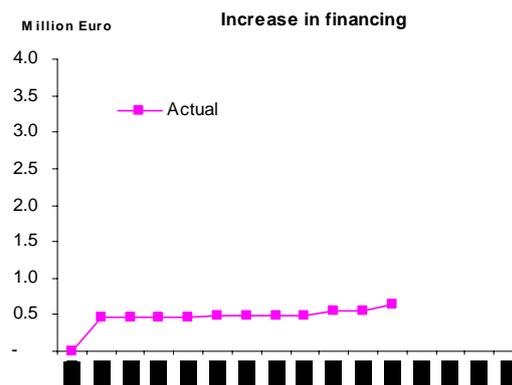
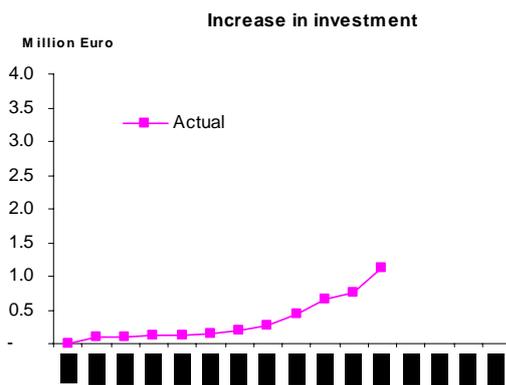
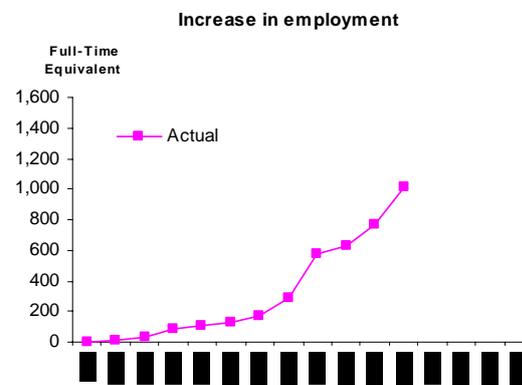
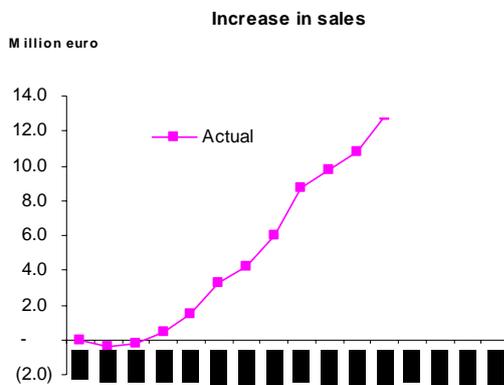
Out of 4,199 new FTE, the Fruits and Vegetable cluster contributed 1,013 new jobs or 24% of the total increase in employment.

Increase in investment represents 4% of total increase.

Increase in financing represents 6% of total increase.

The leaders in the cluster remain Pestova and Agroprodukt Commerce. The total increase in sales of these two companies represents 49% of the total increase in sales of active clients in the cluster.

Below is the graphical presentation of increase in primary indicators in Fruits and Vegetables Cluster from the start of the project to date:



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

No.	Company name	Increase in sales	Increase in FTE	Increase in Financing	Increase in Investment
1	Agrocompany	687,500	10	-	20,000
2	Agroproduct Commerce	2,082,506	259	-	242,690
3	Agroproduct Syne	399,119	67	-	-
4	Agros	127,229	4	-	-
5	Agroservis	-	1	-	3,289
6	As promet	126,005	4	-	-
7	Delta Pomfrit	527,476	21	-	95,805
8	Dinamanti	-	-	-	4,179
9	Dredhëza	(28,903)	10	-	750
10	Eurofruti	1,013,002	89	20,000	-
11	Fidanishtja Zahiri	-	1	-	4,442
12	Fruti	(1,266)	-	-	8,250
13	Fungo FF	93,000	25	-	-
14	Hit-Flores	315,306	144	20,000	5,000
15	Ideal Gashi	(5,550)	-	-	15,000
16	INP	351,007	12	-	26,800
17	Juniperi Fructus	15,562	30	5,000	-
18	KB Qengjat e Sharrit	110,842	11	20,000	20,000
19	Lekë Duhani	-	-	-	2,148
20	Moni	(16,940)	-	2,400	-
21	Pema	15,850	6	-	14,000
22	Pestova	4,220,510	97	-	556,104
23	Pisha	75,761	10	74,000	65,000
24	Skardus	(14,917)	3	-	51,600
25	Tini Commerce	72,000	-	-	2,500
26	UVB	9,400	3	-	20,000
27	Vesa	55,450	-	-	-
28	Zejna	293,054	13	-	25,100
29	Blueberry Collectors	1,180,900	148	-	-
<b>Total active clients</b>		<b>11,703,903</b>	<b>968</b>	<b>141,400</b>	<b>1,182,657</b>
1	Abi Trade	90,967	-	-	-
2	Abi & Elif 19	(444,285)	1	-	-
3	Agroalbi	(8,484)	1	-	-
4	Albi	1,193,173	12	470,000	-
5	Elkos	-	-	-	-
6	KG Zahaqi	44,327	11	-	-
7	Sani	(36,233)	10	25,000	20,000
<b>No.</b>	<b>Company name</b>	<b>Increase in sales</b>	<b>Increase in FTE</b>	<b>Increase in Financing</b>	<b>Increase in Investment</b>
8	Visari	323,130	10	-	-
<b>Total inactive clients</b>		<b>1,162,595</b>	<b>45</b>	<b>495,000</b>	<b>20,000</b>
<b>Grand Total</b>		<b>12,866,498</b>	<b>1,013</b>	<b>636,400</b>	<b>1,202,657</b>

### 3. Construction Materials Cluster

Increase in sales in the Construction Materials cluster represents 34% of total increase at project level.

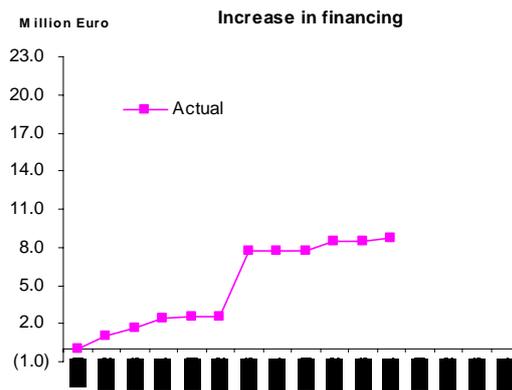
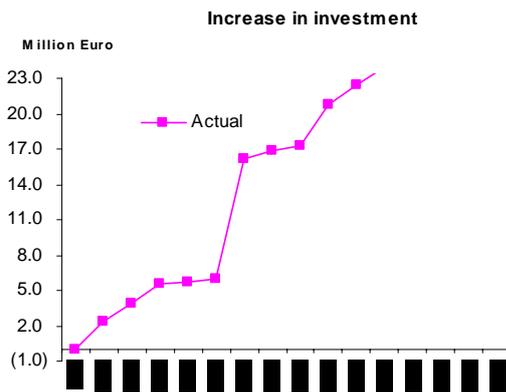
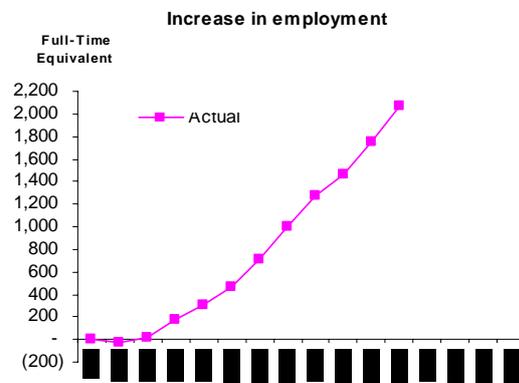
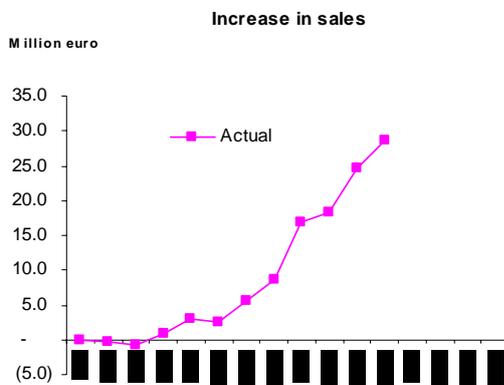
Out of 4,199 new FTE, the Construction Materials cluster contributed 2,067 new jobs or 49% of the total increase in employment.

Increase in investment represents 78% of the total increase.

Increases in financing represents 77% of the total increase.

Main contributors to the increase in sales, again in this quarter, are NewCo Silcapor and FAN Zahir Pajaziti. Their increase in sales represents 64% of the total increase in sales of active clients in the cluster.

Below is the graphical presentation of increase in primary indicators in Construction Materials Cluster from the start of the project to date:



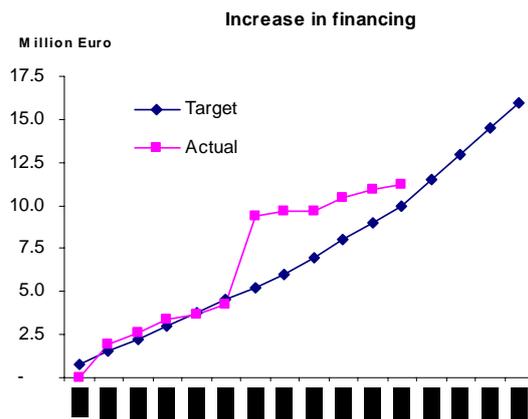
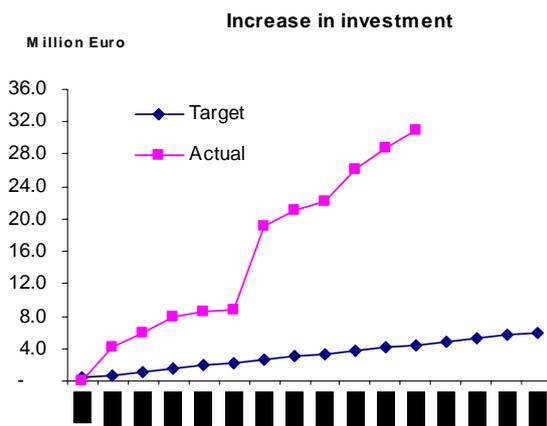
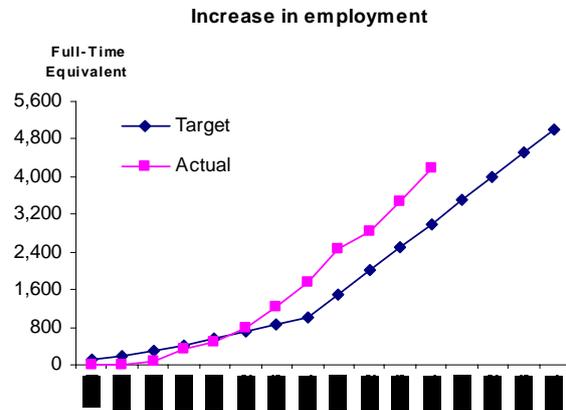
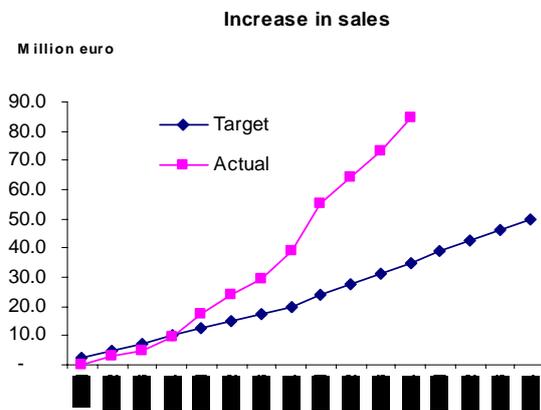
**Table 3. Change in primary indicators by company – Construction Materials cluster**

No.	Company name	Increase in sales	Increase in FTE	Increase in Financing	Increase in Investment
1	Ana	81,243	11	20,000	33,000
2	As	114,050	40	-	189,000
3	Bejta Commerce	478,302	162	885,000	1,834,050
4	Brest PMP	319,800	15	50,000	59,700
5	Eko kim	(3,470)	1	-	8,500
6	Eskavatori	543,442	39	100,000	1,569,000
7	FAN Zahir Pajaziti	7,634,680	189	800,000	3,760,516
8	Fetoshi	(284,408)	1	-	2,060,000
9	Gacaferri	1,021,960	83	-	399,217
10	Graniti	684,322	(8)	-	43,000
11	KAG Asphalt	785,630	25	250,000	901,358
12	Kamilja	539,080	27	-	24,000
13	Korenica	836,368	95	550,000	1,161,300
14	Korrotica JSC	1,360,576	60	250,000	1,087,500
15	Lin Project	483,930	7	-	8,000
16	New Co Silcapor	11,004,845	692	1,722,000	3,911,000
17	Niti Com	15,680	-	15,000	23,500
18	Papenburg & Adriani	(4,831,284)	131	-	518,694
19	Renalual Tahiri	953,479	3	-	440,000
20	Tullëtorja LLC	4,144,174	228	3,200,000	4,562,390
21	Ukaj	600,806	123	825,000	1,095,110
22	Vëllezërit e bashkuar	597,653	19	-	98,000
<b>Total active clients</b>		<b>27,080,858</b>	<b>1,943</b>	<b>8,667,000</b>	<b>23,786,835</b>
1	Aragonit	-	-	-	-
2	Brovina	468,537	20	-	65,000
3	Eurokos	283,770	1	-	22,000
4	Famis Commerce	-	-	-	-
5	Kopaonik	-	-	-	-
6	Lesna	234,066	68	-	80,000
7	Markovic	-	-	-	-
8	Vëllezërit Rama	(2,988)	5	-	5,000
9	Wood Combine Newco	693,921	30	-	52,000
<b>Total inactive clients</b>		<b>1,677,306</b>	<b>124</b>	<b>-</b>	<b>224,000</b>
<b>Grand Total</b>		<b>28,758,164</b>	<b>2,067</b>	<b>8,667,000</b>	<b>24,010,835</b>

## 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% <sup>1</sup>
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



<sup>1</sup> 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.

**KCBS Quarterly Report**  
**Performance Monitoring Report - New Common Indicators**  
**January 2005 - September 2007**

**All Years are U.S. Govt. Fiscal years [commencing 01 October].**

SO# IR#	SO Name	Unit measure	2005 Actual	2006 Target	2006 Actual	2007 Target	2007 Actual	2008 Target	2008 Actual
1.3	<b>Accelerated Private Sector Growth</b>								
1	Total number of enterprises benefiting from USAID business development assistance-Direct clients	Number	56	62	85	90	111	100	
2	Number of entrepreneurs receiving services supported by USAID-Through KCBS supported associations	Number	56	67	829	800	594	1,061	
3	Number of firms using improved accounting and reporting as result of USAID assistance *	Number	40	48	71	58	37	70	
4	The number of people trained	Number	4,113	4,500	4,276	4,900	4,191	5,400	
5	Number of full time jobs in excess of two weeks	Number	327	1,000	1,860	3,000	4,199	5,000	
6	Number of USAID-assisted transactions completed by local firms with US and other foreign firms	Number	795	950	1,178	1,140	2,479	1,370	
7	Total annual value of transactions of USAID-assisted firms with US and other foreign firms	Euro	26,572,245	31,800,000	19,638,158	38,000,000	35,151,150	45,600,000	
8	Number of people trained in trade or investment	Number	None	None	None	None	None	None	
9	Has your mission engaged in programs to improve the business environment	Yes/No	Yes						
10	Did your program described above have a positive impact	Yes/No	USAID						

\* See Comment in the report, Status of the Indicators, Part C. Indicator 3

## KCBS Quarterly PBMS Report

### Annual Goals and Results

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

SO# IR#	SO Name	Unit measure	Base-line Year	Base-line Value	2004 Target	2004 Actual	2005 Target	2005 Actual	2006 Target	2006 Actual	2007 Target	2007 Actual	2008 Target	2008 Actual
<b>1.3</b>	<b>Accelerated Private Sector Growth</b>													
Indicators														
1	Value of company profit taxes collected	Euros	2003	28,412,404	34,100,000	42,840,000	38,200,000	39,228,497	40,500,000	38,054,639	42,100,000	40,615,782	43,800,000	
2 (AR)	Exports as a percentage of imports	Percent	2003	3.70%	4.00%	4.90%	6%	5.59%	8%	6.11%	10%	8.72%	12%	
<b>1.3.1</b>	<b>Increased Competitiveness of Targeted Clusters</b>													
Indicators														
1	Increase in sales among targeted enterprises	Euro	2003	0	0	35,755,626	10,000,000	6,682,433	20,000,000	34,720,638	35,000,000	84,505,327	50,000,000	
	% increase in sales over current baseline (€127,955.009)	Percent	2004	0	0	0	5%	22.2%	10%	44.5%	31.7%	66.0%		
2 (AR)	Jobs created within targeted clusters	Number	2003	0	0	0	200	327	600	1,860	1,100	4,199	1,700	
2a.	Jobs created within targeted clusters (Revised targets of KCBS)	Number	2003	0	0	0	400	327	1000	1,860	3,000	4,199	5,000	
3	Labor productivity among targeted enterprises	Number	2005	0	0	0	5%	-11%	10%	-9%	15%	-	20%	
<b>1.3.1.1</b>	<b>Improved Productive Capacity of Private Enterprises</b>													
Indicators														
1	Increased capital investment among targeted enterprises	Number	2004	0	0	0	1,500,000	7,881,475	3,000,000	20,985,588	4,000,000	30,941,217	5,000,000	
<b>1.3.1.2</b>	<b>Improved Quality Control</b>													
Indicators														
1	Number and type of standards approved by target associations	Number	2004	0	0	0	0	0	TBD	0	TBD	0	TBD	
<b>1.3.1.3</b>	<b>Strengthened Capacity to Access Credit</b>													
Indicators														
1	Increased financing among targeted enterprises	Euro	2003	0	0	0	3,000,000	3,380,200	6,000,000	9,664,300	10,000,000	11,175,700	16,000,000	

## KCBS Quarterly PBMS Report

### Annual Goals and Results

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

SO# IR#	SO Name	Unit measure	Base-line Year	Base-line Value	2004 Target	2004 Actual	2005 Target	2005 Actual	2006 Target	2006 Actual	2007 Target	2007 Actual	2008 Target	2008 Actual
<b>1.3.2</b>	<b>Improved Business Operating Environment</b>													
<b>Indicators</b>														
1 (AR)	Number of companies registered - two quarters	Number	2003	30,966	37,000	40,703	42,000	48,497	47,000	65,051	51,000	60,308	54,000	
2	Business Environment Index (reduction of business constrains)													TBD
	a. Cost to create collateral - % of income per capita	Percent	2004	22.0%			N/A	N/A	16.0%	0	12.0%	0	8.0%	
	b. Private bureau coverage - number of borrowers per 1000 capita	Number	2004	46.8			N/A	N/A	100.0	0	200.0	0	400.0	
	c. Cost of enforcing contracts - cost as a % of debt.	Percent	2004	29.0%			N/A	N/A	26.0%	0	23.0%	0	20.0%	
	d. Number of unresolved claims	Number	2004	N/A			N/A	N/A	TBD	0	TBD	0	TBD	
<b>1.3.2.1</b>	<b>Improved Business Operating Environment</b>													
<b>Indicators</b>														
1	Number of businesses using business consulting services	Number	2004	0	0	0	N/A	N/A	TBD	0	TBD	636	TBD	
<b>1.3.2.2</b>	<b>Improved Capacity for Policy Dialog</b>													
<b>Indicators</b>														
1	Number of Private-Public Task Group recommendations implemented	Number	2004	0	0	0	N/A	N/A	TBD	0	TBD	-	TBD	
<b>1.3.2.3</b>	<b>Business Associations Responsive to Client Needs</b>													
<b>Indicators</b>														
1	Number of associations with approved strategic plans	Number	2004	0	0	0	6	7	10	7	14	9	20	
2	Percent of non-donor revenues generated by the associations	Percent	2003	0	0	0	4>50%	4>50%	7>70%	4>40%	10>80%	6>40%	14>80%	
3	Number of associations employing non-volunteer staff	Number	2004	0	0	0	3	7	5	12	8	12	14	

**KCBS Quarterly Report  
Strategic Activities Fund (SAF)  
January 2005 - September 2007**

**AWARDS BY CLUSTER**

KCBS Cluster	Total Approved €	Total Approved \$	Total Disbursed €	Total Disbursed \$	Remaining from Approved		
					To Be Reimbursed in €	Remaining Amount / Activities Closed €*	Total in €
Livestock	€ 632,168	\$ 807,071	€ 576,512	\$ 741,952	€ 16,086	€ 19,146	€ 35,232
Fruits & Vegetables	€ 264,497	\$ 342,668	€ 220,428	\$ 296,382	€ 42,424	€ 1,645	€ 44,069
Construction Materials	€ 75,784	\$ 98,068	€ 59,100	\$ 72,537	€ 12,867	€ 3,816	€ 16,683
General Business Support	€ 666,202	\$ 846,742	€ 486,415	\$ 630,757	€ 139,071	€ 40,716	€ 179,787
<b>Grand Total</b>	<b>€ 1,638,650</b>	<b>\$ 2,094,549</b>	<b>€ 1,342,456</b>	<b>\$ 1,741,627</b>	<b>€ 210,448</b>	<b>€ 65,323</b>	<b>€ 275,771</b>

**AWARDS BY TYPES**

Types of Awards	Total Approved €	Total Approved \$	Total Disbursed €	Total Disbursed \$	Remaining from Approved		
					To Be Reimbursed in €	Remaining Amount / Activities Closed €*	Total in €
Grants	€ 1,013,414	\$ 1,290,458	€ 758,561	\$ 994,650	€ 183,488	€ 56,711	€ 240,199
Fixed Price Subcontracts	€ 561,499	\$ 722,298	€ 527,093	\$ 674,406	€ 26,960	€ 7,446	€ 34,406
Procurement of Goods	€ 63,737	\$ 81,793	€ 56,801	\$ 72,572	€ -	€ 1,166	€ 1,166
<b>Grand Total</b>	<b>€ 1,638,650</b>	<b>\$ 2,094,549</b>	<b>€ 1,342,456</b>	<b>\$ 1,741,627</b>	<b>€ 210,448</b>	<b>€ 65,323</b>	<b>€ 275,771</b>

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

Average Exchange Rate for Project Disbursements to date is **\$1.2973** to One Euro

## STATUS OF INDICATORS

### A. ESTABLISHED INDICATORS

#### IR.1.3 (1) Accelerated Private Sector Growth

**Indicator: Company Profit Taxes Collected, Kosovo-wide**

Baseline set for CY2004: €28,412,404

Target for FY2007: €42,100,000

Taxes reported are made up of:

- Profit tax from small individual businesses (sole proprietors)
- Profit tax from big individual businesses (sole proprietors)
- Profit tax from small corporations
- Profit tax from big corporations

Actual total to date in FY2007: €40,615,782

No data is received from TA in this quarter. Inside TA were made some changes in the staff, and the representatives from TA that provided KCBS with quarterly data on taxes left Tax Administration. KCBS contacted newly appointed persons, but no data was received, although they promised to provide us these data. We expect that these data will be available for annual report.

#### IR.1.3 (2) Accelerated Private Sector Growth

**Indicator: Exports as a Percentage of Imports – Kosovo Wide**

**ANNUAL REPORT INDICATOR**

Baseline data for CY2003: 3.70%

Target for FY2007 10.00%.

Actual cumulative % for FY2007: 8.72%

The definition of the indicator is: exports measured as a percentage of imports measured in euros.

The data for this indicator was collected from Statistical Office of Kosovo. The data covers the period from October 2006 to September 2007, although the last figure is from July 2007. SOK didn't process and published yet any data for August and September of 2007, so the data for these months will be included in reports of following periods. The data is constantly varying, and almost after each (monthly) publication of the report on foreign trade, the data for previous periods changes. The reason for these changes is the delay in providing the data to SOK by various sources.

Exports in the period Oct 2006 – July 2007 were €104.60 million and imports were €1,199.30 million.

### **IR.1.3.1 (1) Increased Competitiveness of Targeted Clusters**

#### **Indicator: Sales within Targeted Clusters**

Baseline data for CY2004: €35,755,626  
Target Increase for FY2007 27.4% or 35,000,000 over baseline

Cumulative sales to date for FY2007 €212,460,336

Increase in sales – in euro €84,505,327

Actual % increase in sales: 66.0%

The definition of this indicator is: Value of goods and services sold during the year is measured as gross business sale. It is an aggregate of all business sales related to the cluster over a given period. This is measured for enterprises that receive KCBS assistance directly or through SAF.

The figures for sales are calculated on enterprise level first, and then aggregated in the category of sales. Total cumulative sales from start of the project to date are €212,460,336. This figure is then measured over the baseline for the same comparative period, for e.g. if we worked with the company for 33 months (from January 05 till September 07) and we have sales data for these months, that figure will be compared with 33 months of the baseline i.e. two times the baseline year sales. Baseline established using this methodology is €127,955,009. So, we have an increase over baseline of €84,505,327, which represents 66.0% increase in sales over baseline, and is way above the targeted cumulative increase of 27.4% by the end of this year.

### **IR.1.3.1 (2) Increased Competitiveness of Targeted Clusters**

#### **Indicator: Jobs Created within Targeted Clusters**

##### **ANNUAL REPORT INDICATOR**

Baseline data for FY2003: Taken as Zero  
Target (original) Increase for FY2007 1,100 FTE  
Revised Target Increase for FY2007 3,000 FTE

Actual job increase to date for FY 2007: 4,199 FTE

This indicator is defined as full time equivalent jobs in micro, small, medium and large enterprises resulting from direct KCBS assistance or through the Strategic Activities Fund.

Baseline data was set for the Annual Report at the end of FY 2003 data and was taken at level zero. The same zero level was assumed for FY2004, and subsequent changes were to be measured against this zero level. The total increase of direct employees from the start of the project to date over the baseline is 4,199, including full time [2,993] and part time employees [1,206]. Records for employment, as for other indicators, have been kept on a quarterly basis, but recorded for each month separately.

### **IR.1.3.1 (3) Increased Competitiveness of Targeted Clusters**

#### **Indicator: Labor Productivity**

Baseline data for FY2004: Taken as Zero  
Target Improvement for FY2007 15%

This indicator will be reported only annually

This indicator is defined as: decreasing labor involvement in producing the same value of sales in micro, small, medium and large enterprises, resulting from direct KCBS assistance or through the SAF. Later in the course of the project we have revised this approach and now we are using the cost of production per FTE instead of the sales.

Measurable productivity demonstrates the growing competitiveness of target clusters as well as the improved productive capacity and direct investment in enterprises. Increased productivity measures the overall capacity and ability of enterprises to become more competitive by adopting modern practices and innovating in order to increase sales value and reduce costs.

#### **IR.1.3.1. (4) Improved Productive Capacity of Private Enterprise**

##### **Indicator: Value of Capital Investment within Targeted Clusters**

Baseline data for FY2004:	Taken as Zero
Target Increase in Investment for FY2007	€4,000,000

Actual Increase in Investment to date for FY2007	€30,941,217
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This indicator is defined as: increased capital investment by, and in micro, small, medium and large enterprises resulting from direct KCBS assistance or through the Strategic Activities Fund.

The baseline in PBMS for 2004 was the actual capital investments at the companies with which we were working. This was taken as level zero. Value of capital investment from the start of the project to date is €30,941,217, figure that exceeds LOP target for capital investment. Only in Q4 there was an increase in investment of €2,284,787.

#### **IR.1.3.1 (5) Strengthened Capacity to Access Credit**

##### **Indicator: Value of Financing within Targeted Clusters**

Baseline data for FY2004:	Taken as Zero
Target Increase in Financing for FY2007	€10,000,000

Actual Increase in Financing in FY 2006:	€11,175,700
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Definition of the indicator: Financing includes commercial bank, non-bank and micro financing of micro, small, medium and large enterprises, resulting from direct KCBS assistance or through financial institutions

The baseline in PBMS for 2004 was the actual financing at the companies with which we were working. This was taken as level zero. Value of financing from the start of the project to date is €11,175,700. So, the total cumulative increase till the end of Q4 of FY2007 is €11,175,700. Only in Q4 there was an increase in financing of €297,400.

**IR.1.3.2 (1) Improved Business Operating Environment****Indicator: Number of Companies Registered – Kosovo Wide.****ANNUAL REPORT INDICATOR**

Baseline data for CY2003:	30,966
Target for FY2007:	51,000

Actual Companies registered to date in FY2007:	60,308
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Definition of the indicator is: The number of companies registered with Agency for Business registry in Kosovo.

The data for this quarter was received from Agency for Business Registry of Kosovo and the number is as of September 20, 2007. The LOP target for this indicator is 54,000 registered businesses by the end of FY 2008, which means that this indicator has been exceeded.

**IR.1.3.2 (2) Business Associations Responsive to Client Needs****Indicator: Number of Associations with Strategic Plans**

Baseline data for FY2004:	Zero
Target No. Associations with approved strategic plans in FY2007	14

Actual No. Associations with approved strategic plans to date in FY2007:	9
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Definition of the indicator is: Total number of USAID supported associations with approved strategic plans.

In the first year, KCBS has given much effort in working with associations and assisting them to identify their priorities and how to get there. This resulted in seven (7) strategic plans approved by respective boards of the associations. Target for year two was additional 3 strategic plans. However, after review of the Work Plan for Year Two with USAID, it was agreed that KCBS would concentrate on ensuring sustainability of the associations with whom we had already developed strategic plans, rather than adding new associations to the portfolio. In the Q4 of FY 2007 there was not any new strategic plan approved.

**IR.1.3.2 (3) Business Associations Responsive to Client Needs****Indicator: % of Operating Revenues Self-Generated by the Associations**

Baseline data for FY2004:	Zero
Target for FY2007	10 self-generating > 80% of revenues

Actual No. Associations self-generating > 40% of operating revenues to date in FY2007:	6
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Definition of the indicator: Value of operating revenues generated from the associations, which are independent of donor agencies' funding, expressed as a percentage of total operating revenues. Revenues include membership contributions with all types of contributions paid to the associations for their direct or indirect facilitation, and may include fees or other contributions. There were 6 associations that have generated more than 40% of operating revenues in this quarter.

**IR.1.3.2 (4) Business Associations Responsive To Client Needs**

**Indicator: Number of Associations employing Permanent Staff**

Baseline data for FY2004:

Zero

Target for FY2007

8 associations.

Actual No. Associations employing permanent staff to date in FY2007: 12

The target for FY2007 is set that at least eight associations will have employed non-volunteer staff. By the end of the third quarter of FY2007, the number of associations employing permanent staff was twelve (12).

## **STATUS OF INDICATORS**

### **B. ADDITIONAL INDICATORS AGREED IN APRIL 2005**

#### **IR. 1.3.1.2. Improved Quality Control**

**Indicator: Number and type of standards approved by target associations**

KCBS has worked to encourage legislation that allows associations to be recognized as accredited standard setting bodies. We have also worked with the newly created Kosovo Standardization Agency to allow for independent (extra-governmental) testing labs, a precondition to associations driven standards. The status of the indicator for FY2005 is zero.

There are many improvements in the field of Quality Control, which are needed in Kosovo. Several organizations are addressing the issue, most notably the EU/EAR which is driving a path to compliance with EN standards. KCBS can only make recommendations and encourage the establishment of a standards infrastructure and culture. Nonetheless, as part of our objective of achieving Improved Quality Control, KCBS will monitor improvements in the coming years in such areas as:

- Number of associations with Quality Standards Committees
- Number of accredited independent testing labs
- Number of associations with published products standards
- Number of associations with published process standards (best practices)
- Number of certified members by associations

For Year Three, we shall identify products within our clusters for which standards are most urgently needed. Our efforts will be directed to coordinating the introduction of standards with the EU/EAR, the Kosovo Standardization Agency, and with the associations representing the industries for which standards are most urgently required.

#### **IR.1.3.2 Improved Business Operating Environment**

**Indicator: Business Environment Index**

The project on Business Conditions Index (BCI) was performed during Year One. BCI in Kosovo in 2005 helps to better understand business regulatory framework. It provides critical information to all agents in Kosovo. The overall purpose of compiling BCI in Kosovo was to evaluate the competitive position of the Kosovo business environment relative to current and future trading partners. It was also intended that findings from this project would contribute to, and substantially improve, the dialogue between the private sector and the government in Kosovo and help them improve the business environment in Kosovo.

There were seven components that are part of BCI, and for them a total of 27 different measures. KCBS selected three measures, and one associated measure, on which Kosovo scores least satisfactorily and on which KCBS, through its program activities, has the opportunity to make some positive impact. These measures were:

- Cost to Create Collateral (% of income per capita)
- Private Bureau Coverage (borrowers per 1000 capita)
- Cost of Enforcing Contracts (cost as % of debt)
- Number of Unresolved Claims

It was intended that the methodology to be used for measuring these four indicators would be similar to that used for the BCI in 2005 and would be based on research and

analysis of laws and regulations, with inputs and verifications from local government officials, lawyers, business consultants, and other professionals.

However, KCBS has not proposed another assignment for a consultant to conduct a survey, and no survey has been conducted in FY2006 or in FY2007. The KCBS project focus has moved away from areas where the project's ability to influence change is limited, and to areas where resources can be expended to have a more immediate and practical benefit.

#### **IR.1.3.2.1 Strengthened Business Consulting Services**

**Indicator: Number of businesses using business consulting services**

The number reported is 636 that consist of the companies that KCBS is working with, also companies benefited from voucher scheme of MTI and KCBS. The data was also collected from members of Business Consulting Council. Only in this quarter, this number increased by 13 from the data collected from BCC.

#### **IR.1.3.2.2 Improved Capacity for Policy Dialogue**

**Indicator: Number of Private-Public Dialogue Task Group Recommendations Implemented**

The following is a list of recommendations that are in the process of implementation, or have just started the process:

- Alliance of Kosovar Businesses (AKB) received a grant from KCBS for a project to work on reducing the informal economy.
- MTI organized Meeting of Industry Roundtable, and one of the conclusions was to organize public promotion campaign for the purpose of raising public awareness on the importance of industry standards
- AKB and OEK were involved in the consultations process for drafting the long-term development strategy for Kosovo. The recommendations of the infrastructure task group were considered in terms of the development strategy.
- Decentralization of education and establishment of apolitical accreditation bodies were the recommendations of the task group suggested to the Assembly of Kosovo, i.e. Assembly Committee for Education.
- KCBS organized meeting with associations, Statistical Office and EAR to improve statistical data collection.
- OEK is preparing grant proposal for Legal Office to strengthen provision of arbitration and other legal services for commercial disputes

## **STATUS OF INDICATORS**

### **C. STATUS OF THE NEW COMMON INDICATORS**

Total number of companies that KCBS assisted from the beginning of the project is 99. However, there are more companies and individuals that are assisted directly by KCBS or through associations. We are capturing that number of assisted entrepreneurs through indicator 2 – Number of entrepreneurs receiving services supported by USAID.

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

The total number of USAID–assisted enterprises to date in FY 2007 is 111. The number represents direct KCBS clients since the start of the project. Only during this quarter, 12 new companies were added to the active clients.

**Indicator 2: Number of entrepreneurs receiving services supported by USAID**

The actual cumulative number of entrepreneurs to date in FY 2007 is 594. This number represents clients assisted by KCBS through associations. Only in this quarter, the number is 18.

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

The total number of companies using accounting assistance to date in FY 2007 is 37. This is the number of firms received bookkeeping and accounting services supported by KCBS. For the previous quarter this data was updated and 5 more companies were added to the number of companies using accounting assistance. The additional data was provided from minority areas. Only in this quarter, the number of firms is 3. The project supported by KCBS to improve recordkeeping of the companies of poultry sub-cluster started its implementation on three companies.

71 companies supported by KCBS in the previous year are still using improved accounting system in accordance to the KAS. In addition, 66 companies that are KCBS clients are using accounting systems according to the Kosovar or International Accounting Standards.

**Indicator 4: Number of people trained**

The total number of people trained to date in FY 2007 is 4,191. Only in this quarter, KCBS assisted in training of 788 people. Below is the number of participants by the type of activity in the Q4 only:

- Number of participants in USAID-assisted conferences (promotional conference) was 103.
- Number of participants in USAID-assisted trainings was 85.
- Number of participants in USAID-assisted training workshops was 145.

Number of people attending other activities through USAID assistance:

- Number of people attending USAID-assisted seminars was 188.
- Number of people attending USAID-assisted training with demonstration was 77.
- Number of people attending USAID-assisted field days was 156.
- Number of people attending presentations and roundtables was 28.
- Number of people attending on-site study visit was 6.

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

The number of full time jobs of 4,199 is related to the IR.1.3.1 (2) Jobs created within targeted clusters. These are the additional jobs created over the baseline.

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

The total number of USAID-assisted transactions completed by local firms with US and other foreign firms in FY 2007 to date is 2,479. In the fourth quarter alone the number of transactions is 840. Below is the number of transactions segregated by the type and origin in the Q4 only:

- Number of importing transactions
  - From US firms 13
  - From other foreign firms 562
- Number of exporting transactions
  - To US firms 1
  - To other foreign firms 264

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

The total value of transactions of USAID-assisted firms with US and other foreign firms to date in FY 2007 is €35,151,150. In the fourth quarter only, the value of transactions is €11,802,857. In the Q4 only, segregated by the type and origin, this data is as follows:

- Value of importing transactions
  - From US firms €140,800
  - From other foreign firms €9,283,496
- Value of exporting transactions
  - To US firms 7,200
  - To other foreign firms €2,371,361

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

There was no activity performed on trade and investment.

**Construction Cluster**



**Presentation held by Ammann in Pristina**



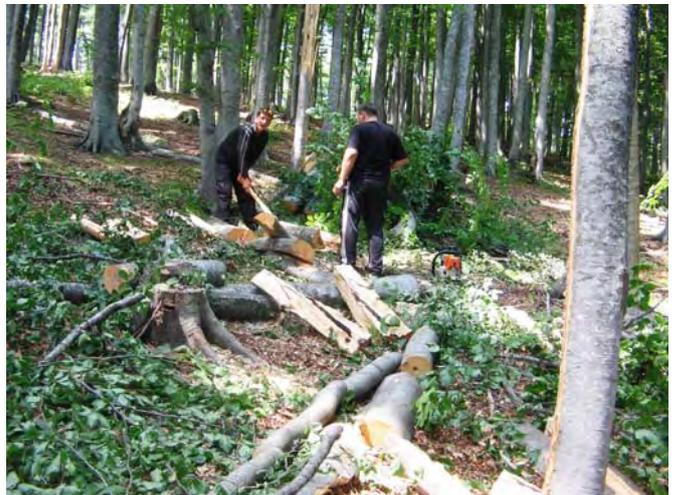
**Cutting machine at work at Tulltorja's**



**Quality check of the two layer flooring**



**Packed engineered wood flooring ready for the local market**



**KCBS continued to insist on measures being taken in forest certification**

**Fruits & Vegetables Cluster**



**Agroprodukt Commerce receives HACCP certificate**



**Calibrating potatoes at Agrokompani**



**Autumn onion and garlic harvesting in Rahovec**



**GSP tables installed in Peja**



**Ribbon Cutting Ceremony in Shterpce/Sterpce:  
Scardus and Qingjat e Sharrit inaugurate new cooling facility**

**General Business Cluster**



**AKB Conference on Informal Economy**



**AKA workshop on ISO standards**



**AKA Workshop on testing of agricultural inputs and products in Peja**



**KAMP Training in Sharri on Milk Hygiene**



**A 2 day “Concrete in Construction” seminar, organized by KACP in partnership with the Faculty of Construction of UP.**



**Livestock Cluster**



**Field day: Alfalfa seed test plots**



**Field day: Pasture Management**



**KODDA Field Day: test plot alfalfa**



**Workshop on Dairy Records keeping**



**Model Dairy farm: Using calf hutches to raise calves**



**Model dairy farm: Training on barn design and milk quality**

**Livestock Cluster**



**First hatch – Sexing: Females are sold, males are eliminated**



**Rudina in Prizren: Silage harvesting**



**Milk Collection Center in Krelane: improved conditions after intervention**