



KOSOVO CLUSTER AND BUSINESS SUPPORT PROJECT

YEAR 1 WORK PLAN

October 1, 2004 – September 30, 2005

Contract #AFP-I-00-03-00030-00, TO# 800

Submitted to:
USAID/Kosovo
Cognizant Technical Officer: Timothy Hammann

Submitted by:
Chemonics International Inc.

With:
Crimson Capital Corporation Inc.
The International Center for Soil Fertility and Agricultural Development
The Services Group

Originally submitted: November 30, 2004
REVISED: January 31, 2005

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WORK ACTIVITY SCHEDULES	

ACRONYMS

AIP	Agriculture Institute of Peja
AKA	Alliance of Kosovo Agribusinesses
AKB	Alliance of Kosovo Businesses
ALCON	Crushing Plant in Ferizaj
AMCHAM	American Chamber of Commerce in Kosovo
AMPKO	Association of Milk Producers and Processors of Kosovo
AWPK	Association of Wood Processors of Kosovo
B2B	Business to Business
BCSC	Business Consulting Service Center
BDS	Business Development Services
BSP	Business Service Provider
DQA	Data Quality Assessment
EAR	European Agency for Reconstruction
EBRD	European Bank for Reconstruction and Development
GTZ	German Technical Cooperation
HACCP	Hazard Analysis of Critical Control Points
IFDC	International Fertilizer Development Center
ISO	International Standards Organization
KADP	Kosovo Agribusiness Development Program
KARC	Kosovo Association of Road Constructors
KAMP	Kosovo Association of Milk Producers
KBS	Kosovo Business Support
KDC	Kosovo Development Center
KDFA	Kosovo Dairy Farmers Association
KEA	Kosovo Export Association
KDPA	Kosovo Dairy Processors Association
KFPP	Kosovo Feed for Poultry Project
KODAA	Kosovo Dealers of Agro-inputs Association
KSA	Kosovo Standardization Agency
KTA	Kosovo Trust Agency
KVO	Kosovo Veterinary Order
LGI	Local Government Initiative
LINK	Association of Civil Engineers of Kosovo
LTTA	Long-term Technical Assistance
MAFRD	Ministry of Agriculture, Forestry, and Rural Development
MOTI	Ministry of Trade and Industry
NGO	Non-governmental organization
PBMS	Performance Based Management System
PISG	Provisional Institutions for Self-Governance in Kosovo
REA	Regional Enterprise Agency
RTK	Radio Television Kosovo
SAF	Strategic Activities Fund
SCAAK	Society of Certified Accountants and Auditors of Kosovo
SFS	Small Farmer Support Program
SHE-ERA	Women's Business Association
SHPUK	Kosovo Association of Poultry Producers and Feed Manufacturers
SOE	Socially-Owned Enterprise
STTA	Short-term Technical Assistance
SWOT	Strengths, Weaknesses, Opportunities and Threats
TSG	The Services Group
UNMIK	United Nations Mission in Kosovo
USAID	United States Agency for International Development

I. INTRODUCTION

This is the first annual work plan for implementation of the Kosovo Cluster and Business Support (KCBS) project. The United States Agency for International Development (USAID) awarded KCBS to Chemonics International and its consortium of implementing partners under a Privatization II Task Order on September 30, 2004. This work plan covers the period from October 1, 2004 through September 30, 2005.

A. Program Description

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

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

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

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

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

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

II. WORK PLAN 2005

A. SO 1.3: Accelerated Private Sector Growth

A1. Approach

We will show results by June 2005 that give Kosovars a reason to believe that their lives and livelihoods are improving. We will show tangible progress toward increased jobs, sales, and investment. And we will deliver accelerated private sector growth through stronger value chains, more effective associations, vibrant consulting services, and a better business environment.

The driver of KCBS is increased jobs, sales and deals and everything we do will contribute directly to those results. Resources are too scarce to do just “good” things; we need to do cost-effective things. If a proposed use of resources has a high probability of delivering sales and jobs, we will do it; if not, we will not. We therefore propose to spend money on a given activity only if there is a reasonable expectation that for every dollar we spend, at least five dollars of sales will result from KCBS clients. In cases where we cannot satisfy this criterion, we will not spend contract funds.

We anticipate that the activities described below will have a demonstrable impact on increased jobs, sales and deals, but we cannot be certain of that until we have a better understanding of effective demand within the cluster or value chain. We will undertake these activities only if they respond directly to market demand, which, as a practical matter, means buyers.

Consequently, we will track and report to USAID on all project activities, but we will hold ourselves accountable only for higher-level results measured by increased jobs, sales and deals (trade and investment). In the final analysis, everything else is subordinate to that end. In the course of implementation, for example, we may find that access to credit is not a key obstacle to the growth of firms in a cluster; if that is the case, it would not make sense to try to meet predetermined loan targets. Ensuring flexibility on this point will ensure that USAID and Chemonics remain focused on managing for higher-level results.

To build and strengthen target clusters, we will facilitate transactions along the entire value chain, from production to processing, packaging, distribution, marketing, and sales. In addition, we will support the sustainability and commercialization of business associations within targeted clusters to improve the business environment through advocacy and the competitiveness of members through improved services. Finally, we will promote development of a private consulting industry by using a demand-driven approach whereby business consulting service centers, staffed by trained business advisors, act as market brokers to facilitate contacts and assist in negotiations between buyers and local and foreign business agents on one hand, and between local producers and enterprises on the other. For their part, associations and public agencies will be encouraged to promote the demand for such services that enhance efficiency and competitiveness.

We will address gender and minority integration issues in all project activities. For example, we will reach out to women’s business associations and help link them to other business associations in January 2005, invite a gender specialist to conduct gender training for KCBS staff and cluster leaders in March 2005, and ensure that cluster leaders make investments in activities to overcome gender, generational and ethnic barriers to business growth.

In all activities, particularly those that involve training, mentoring, and decision-making, we will actively recruit and support women leaders. We will ensure that women are given

specific and consistent opportunities to enhance business skills in marketing, business planning, financing, and negotiating. We will also ensure that women are strongly represented in study tours, trade fairs, and training events throughout the life of the project.

To promote inter-ethnic cooperation and minority integration, we will encourage business associations to recruit members and open offices in minority areas, organize trade fairs with representatives from all ethnic groups – such as the December 2004 conference of regional fruits and vegetables associations in Serbia – and we will publicize success stories, such as interethnic business ventures, joint study tours, and regional conferences. Mr. Branimir Dimitrijevic and Mrs. Vesna Golubovic, two of KCBS's four business development advisors, focus their efforts on minority communities.

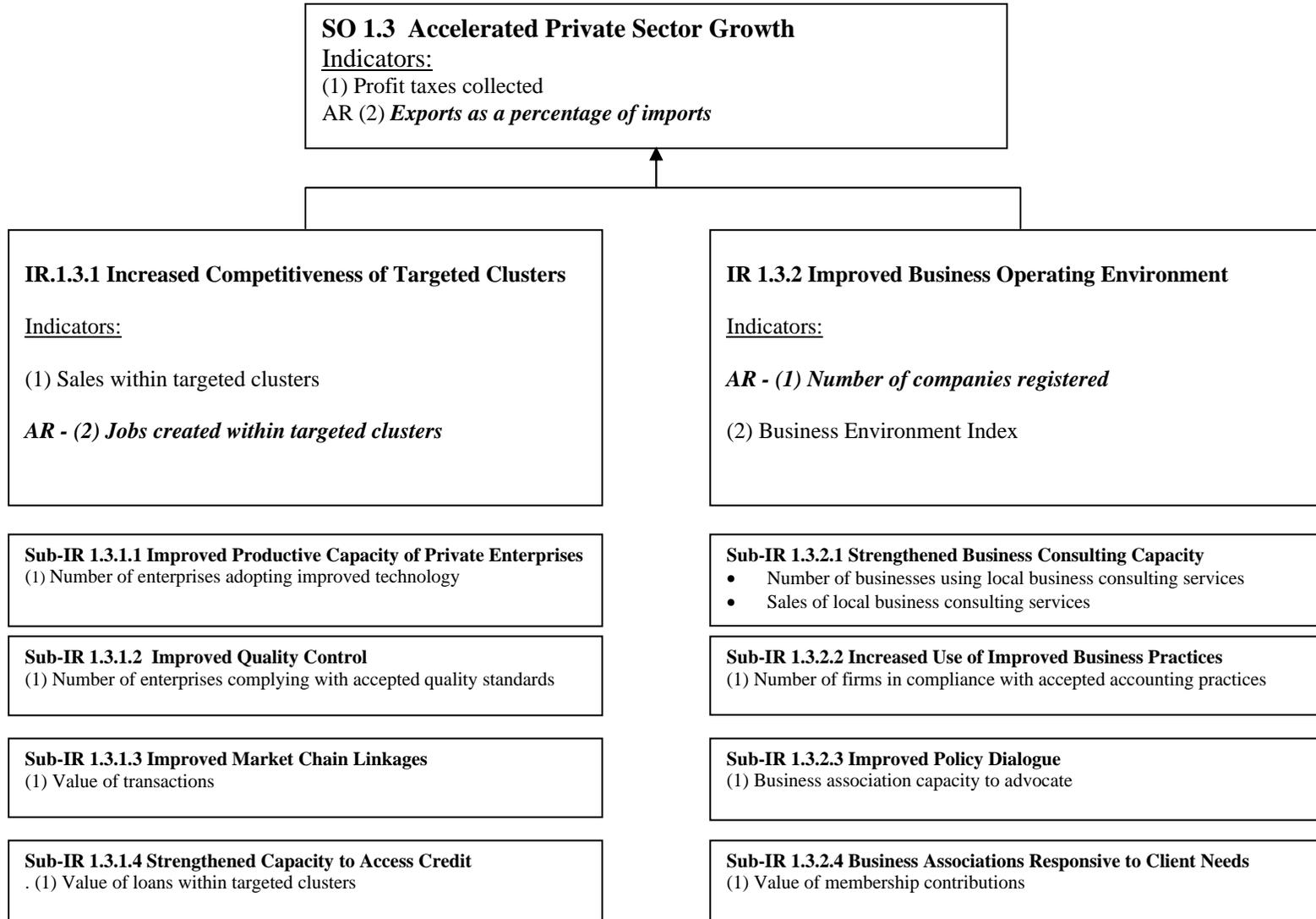
A2. Expected Results

KCBS has had an accelerated start-up and is committed to making a significant impact quickly. By June 2005, we will achieve the following results:

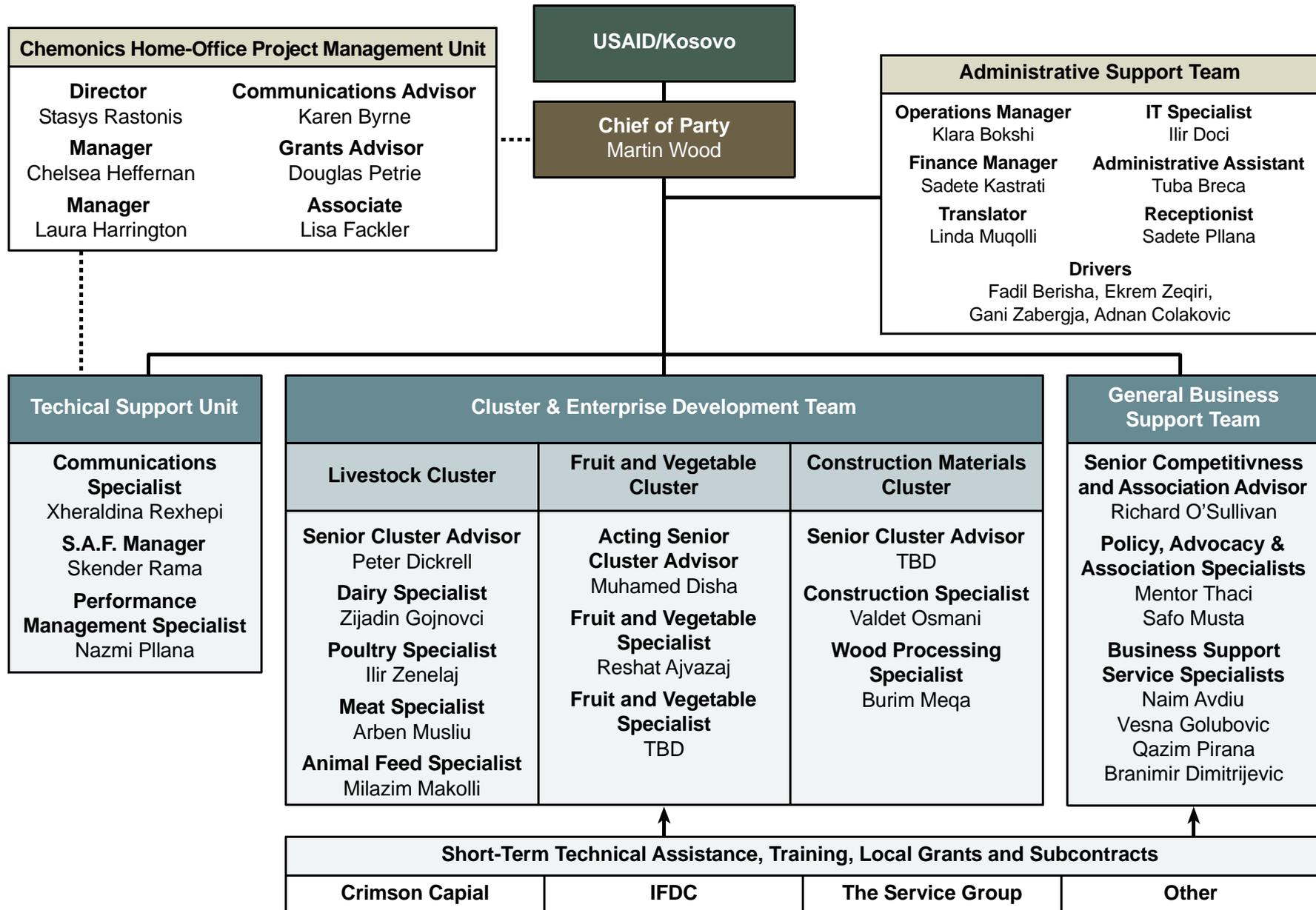
1. Broiler (fresh chicken meat) operation employing 50 people in the production, processing and marketing of new chicken products.
2. Artificial insemination program inseminating cows from 5 model farm groups employing 12 people.
3. A new breeder flock operation and hatchery established that employs 10 people.
4. At least 4 new locally-produced fruit and vegetable varieties introduced to meet the demand of processors in the market chain and compete successfully with imports.
5. At least 3 fruit and vegetable products developed and marketed that add value to locally-produced raw materials or imported products.
6. Standards for components used in producing concrete – cement, aggregates and reinforcing steel – submitted to KSA for approval.
7. Investment in additional productive capacity for rebar, thermal blocks and quarried aggregates facilitated resulting in 235 new jobs.
8. Forum established and consensus action plan adopted to remove constraints to business growth.
9. At least \$1,000,000 in new sales to be generated through program activities.
10. With KCBS support, American Chamber of Commerce attracts at least 2 foreign companies to invest in Kosovo.

By project end, we will have created new and expanded opportunities for market growth and employment, greater trust and cooperation between the public and private sectors, and a stronger strategic focus among members of each target cluster. The value and volume of cluster enterprise sales will be higher, production volumes and processing capacity will be greater, quality will be constantly improving, and new, higher-paying jobs will be available for Kosovo's citizens, especially women and young people.

USAID/KCBS Performance Management Plan



Staffing Plan for Kosovo Cluster & Business Support



A3. Performance Based Management

The KCBS Performance Based Management System (PBMS) is being submitted simultaneously with this work plan. KCBS will employ 2 indicators to capture achievement towards the Strategic Objective —*Accelerated Private Sector Growth*. The indicators are:

- Profit taxes collected.
- Exports as a percentage of imports.

KCBS will also monitor the following indicators that measure progress towards the project intermediate results;

IR 1.3.1: Increased Competitiveness of Targeted Clusters:

- Sales within targeted clusters.
- Jobs created within targeted clusters.

IR 1.3.2: Improved Business Operating Environment:

- Number of companies registered.
- Score on Business Environment Index.

At the sub-IR level, KCBS will track performance using the following indicators:

Sub-IR 1.3.1.1: Improved Productive Capacity of Private Enterprises

- Number of enterprises adopting improved technology.

Sub-IR 1.3.1.2: Improved Quality Control

- Number of enterprises complying with accepted quality standards.
- Number of transparent quality assurance programs

Sub-IR 1.3.1.3: Improved Market Chain Linkages

- Value of transactions.

Sub-IR 1.3.1.4: Strengthened Capacity to Access Credit

- Value of loans within targeted clusters.

Sub-IR 1.3.2.1: Strengthened Business Consulting Capacity

- Number of businesses using local business consulting services.
- Sales of local business consulting services.

Sub-IR 1.3.2.2: Increased Use of Improved Business Practices

- Number of firms in compliance with accepted accounting practices.

Sub-IR 1.3.2.3: Improved Policy Dialogue

- Business association capacity to advocate

Sub-IR 1.3.2.4: Business Associations Responsive to Customer Needs

- Total associations
- Percent of cluster using association services.

Attached to this Work Plan, as annex A, are some Gantt Charts showing the cluster activities as described in the tables under the Work Plan sections for each cluster. The charts show

the expected start and end dates for each activity. The clusters will monitor progress against each activity, and each month will report on progress of those activities, which are scheduled to be worked on during that month.

Taken together, the indicators and the Gantt Charts will provide a picture of progress toward results made as a result of KCBS interventions. KCBS will disaggregate these indicators by cluster, geographic location, and gender when appropriate. These indicators will track directly with the indicators USAID/Kosovo will use in its annual report. We will report on progress toward expected results, using these performance indicators, on a quarterly and annual basis.

A4. Resources and Partners

KCBS will award up to \$2 million in grants and subcontracts throughout the life of the project to leading private enterprises, business support service providers, associations, universities, research institutes, and communications companies to carry out activities in support of project objectives. Under the Strategic Activities Fund (SAF), awards will be used for a demand study, strategic planning training, or a cost-benefit analysis of a policy proposal. Larger awards may support the institutional development of cluster working groups, business associations, or business consulting service centers.

We have a strong roster of short-term technical advisors and will deliver more than 600 days of short-term expertise in Year 1. The majority of short-term technical assistance will support cluster development and stronger value chains. A detailed description of how and when short-term advisors will support specific activities is provided in the tables below. At the conclusion of each short-term assignment, before leaving Kosovo, the technical advisor shall prepare an oral presentation of his/her major findings and recommendations. The presentation shall be made to USAID's team, to the appropriate stakeholders and to the KCBS Cluster team. The short-term advisor shall then submit a report based on his/her findings and incorporating any comments agreed during the presentation.

Wherever practicable, KCBS will assign a local "shadow" to work with the short-term advisors throughout the assignment. The objective of this assignment is for the "shadow" to absorb the essentials of an advisor's expertise so that he/she may continue to advise similar groups or organizations who may not have benefited directly from the visit of the short-term advisor. In this manner, a body of knowledge is built up which will lead to a strengthening of business consulting capacity in Kosovo.

Project partners IFDC and Crimson Capital Corporation bring innovation and continuity to our team. IFDC's successful work in developing feed and poultry clusters in Kosovo highlights their ability to introduce new ideas to enterprises through a cluster approach. Crimson brings Kosovo and Balkans expertise in enterprise finance and market development, as well as recent innovations in working capital finance from Macedonia and Armenia. Our third institutional partner, The Services Group, specializes in trade and competitiveness policy, with extensive experience in Kosovo.

Collaboration with other donors will be critical to our success. We have already met with many donor representatives and expect to work closely with the European Agency for Reconstruction (EAR), the Swiss Dairy Project, and the GTZ cluster development project.

B. IR.1.3.1 Increased Competitiveness of Targeted Clusters

B1. Approach to Cluster Development

KCBS will establish and strengthen clusters to promote policy dialogue, share knowledge, facilitate transactions, and set and meet quality standards. We will work with clusters to identify new markets, develop new products, facilitate participation at trade shows, design study tours, offer training, and improve access to market information.

In each targeted cluster, KCBS will generally follow five phases of cluster development:

Phase 1 — Carry out competitiveness diagnostics. Benchmark each cluster against neighboring countries. Conduct value-chain analyses and SWOT analysis.

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

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

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

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

B2 The Livestock Cluster

Led by Peter Dickrell, the Livestock Cluster Team will concentrate on developing four agribusiness sub-clusters. These are dairy, meat, animal feed and eggs. The approach, issues, and expected results for each sub-cluster are set out below.

B2.a Dairy Cluster Approach

The Dairy cluster team in the first year will address the following issues:

- The Dairy Farmers Association is newly created and needs to develop a strategy which will ensure sustained operations
- Dairy milk production needs to be improved through genetic improvements and a sustained breeding program
- Business accounting practices and records keeping at the farm level is inadequate to support credit applications
- Most farmers need to bring their quality control practices and standards to levels acceptable by the EU
- Testing procedures need to be implemented Kosovo-wide to control the quality of locally produced and imported dairy products.

Kosovo Association of Milk Producers (KAMP). The Kosovo Business Support (KBS) program created the ground work for the development of a dairy farmers association. Many of the board members attended the World Learning-sponsored visit to the United States and are ready to implement programs in Kosovo that they learned about in the US. The dairy farmers have finalized the association by-laws, formally registering the association with UNMIK, and agreed on the managing board. Successfully responding to the needs of the dairy farmers will require an effective demand-driven organization. The association's goals include:

- Technical assistance in milk production, marketing and quality control
- Establishing industry standards to enable local products to compete with imports
- Gaining access to new markets for raw milk and finished dairy products
- Removal of operational restraints originating with the Government

KCBS will work with the new association to develop an operating strategy, and a program for sustainable growth. Mr. Zijadin Gojnovci of KCBS will act as Association Secretary for the first six months.

Genetics Improvement. Genetic improvement is needed in the animals. An artificial insemination program, using proven sires that have the ability to transmit increases in milk production as well as improving traits would enhance the cow population of the country. The Simmental breed is the most popular breed in Kosovo. They are a good meat producing animal but a poor dairy animal. The Simmental is good at gaining weight but very poor at giving milk. In the long run for the Kosovo dairy farmer this is not the ideal breed for maximum profits from milk production. Kosovo farmers need to start to convert their herds to pure breed dairy breeds. KCBS will implement a Dairy Herd Genetics Program through the Kosovo Association of Milk Producers and the Ministry of Agriculture to improve the dairy herd genetics in Kosovo.

Improve Dairy Farm Business Practices. Credit is the number one factor cited by the dairy farmers preventing them from expanding their herd size. Dairy farming is very complicated and the costings are difficult for the bank to understand. KCBS and the Kosovo Association of Milk Producers (KAMP) will develop a model business plan for the dairy farmers that meet the needs of the local credit institutions. This model will be available to the industry to use in expanding their dairy operations. Also, in order to get credit detailed financial and production records must be kept at the farm level. KCBS will implement with model farms Dairy Herd Books and financial record keeping.

Manufacturing Standards and Quality Control. The government passed the Law on Standardization in April 2004. The law called for respective ministries to issue bylaws and provisions to ensure implementation. The Veterinary division of the Ministry of Agriculture, Forestry and Rural Development (MAFRD) has been given the task of implementing food safety laws through the Food Control Agency. While the Kosovo Standardization Agency (KSA) and MAFRD are being organized, KCBS will form and support a Technical Advisory Group responsible for developing quality standards for raw milk and final dairy products. The group will comprise representatives of MAFRD, Faculty of Agriculture at the University of Prishtina, KAMP and AMPKO. KCBS will work with the Food Control Agency to apply EU principles of Good Manufacturing Practices. KCBS help dairy processors implement Hazard Analysis Critical Control Points (HACCP) and Sanitation Standard Operating Procedures programs in their operations.

Improve Raw Milk and Final Dairy Product Quality. The dairy cluster team will help the Association of Milk Processors of Kosovo (AMPKO) and KAMP to establish laboratory testing procedures to test raw milk and finished dairy products. KCBS and the associations will work with dairy processors and dairy farmers to develop and implement a raw milk testing program to improve the chemical, physical, and microbiological quality of raw milk received by processing plants. Enforcement of standards is one ingredient of success in improving quality, but a prerequisite for enforcement is the ability to determine whether or not a product has been manufactured in accordance with standards. The dairy cluster team will work with MAFRD and the Institute of Peja to provide appropriate testing facilities to test livestock products. A further quality concern is the large number of imported products entering Kosovo with no valid certificates, or certificates of dubious origin. A successful milk testing system in Kosovo will strengthen control over substandard imports.

Results

1. Formation and functioning of the Kosovo Association of Milk Producers
2. Artificial insemination program introduced for inseminating cows with pure dairy cattle semen
3. A "model" business plan developed by KAMP for commercial dairy operations
4. KAMP submit to KSA and MAFRD standards for raw milk and final dairy products
5. Raw milk and final dairy products testing system implemented
6. The quality of raw milk being sold to the processors for use as fluid pasteurized milk is improved leading to a tripling of production.

DAIRY CLUSTER						
No.	Description	Responsible	Resources	Partner	Milestone	Completion by
1.1	Establish an effective dairy farmers association	Peter Dickrell Mentor Thaqi Rick O'Sullivan	Local and expatriate LTТА	KAMP	Board of directors elected 12/15/04; By-laws adopted 06/01/05.	June 2005
1.2	Work with in-country NGOs and veterinary services to provide on-farm milk production assistance	Peter Dickrell	LTТА Grant	Potential grantees: KDC, KDO, KVFA	Output increased 20% on model dairy farms	August 2005
1.3	Deliver expert advice in grades and standards, government regulations, genetics, dairy farm management, milk quality and marketing	Lindell Whitelock	12 days STТА	KAMP, KDPA, AMPKO, MAFRD	Dairy farmers association adopts and adheres to quality standards	June 2005
1.4	Present recommendations for artificial insemination program and silage production program	Lindell Whitelock	6 days STТА	KAMP, KVO	Program outlined	June 2005
1.5	Study tour to Croatia and Albania to observe dairy sector development	Peter Dickrell	World Learning	Croatian and Albania dairy producers association	Specific recommendations and lessons learned	June 2005
2.1	Identify and help prevent diseases that cause sterility	TBD	12 days STТА	KAMP, KVO	Livestock diseases and causes identified and communicated	October 2005
2.2	Dairy breed cost analysis and determination of breed adaptability	TBD	Fixed Term Contract	KAMP, KVO	Cost analysis distributed to association members	April 2005

DAIRY CLUSTER

No.	Description	Responsible	Resources	Partner	Milestone	Completion by
2.3	KAMP or Kosovo Veterinary Holstein semen/breeding Program	Peter Dickrell Skender Rama	Grant	Potential grantees: KAMP, KVO	New breed semen tested	June 2005
3.1	Develop Model Business Plan	TBD	LTTA	Credit Institutions, KAMP	Computerized Model Business Plan distributed	May 2005
3.2	Implement Kosovo dairy herd book and establish livestock genetic records	Lyndell Whitelock Peter Dickrell	12 days STTA	KAMP, KVO, MAFRD Center for Livestock	Herd book completed	June 2005
4.1	Draft regulation on milk quality standards and regulation that officially describes and defines final dairy products (milk, cheese, yogurt)	Peter Dickrell Paul Savelo	LTTA 18 days STTA	KAMP, KDPA, AMPKO, MAFRD, MTC	Milk quality regulation adopted. Official definition of dairy products adopted.	July 2005
4.2	Implement quality control program (HACCP and ISO 9000)	TBD	12 days STTA	KAMP, KDPA, KVO	ISO 9000 and HACCP standards adopted	September 2005 (full in 2007)
4.3	Work with Swiss Dairy Project on seal of quality	Peter Dickrell	LTTA	Swiss Dairy Project, KDFA	Quality standards adopted, seal program developed	On-going
5.1	Develop a dairy products testing system	TBD	Fixed Term Contract	KAMP, AMPKO	Laboratory Testing for Milk Quality standards adopted	August 2005
5.2	Train veterinarians and field men working for milk processors in milk quality standards	Vladimir Kokerev	Fixed Term Contract	KAMP	2 people from each of 4 processors working with 25-100 farmers	March 2005
5.3	Deliver extension services at farm level to improve raw milk grades and standards	TBD	Fixed Term Contract	KAMP	100 farmers move from ungraded to Graded A & B milk	April 2005

B2.b Meat Cluster Approach

The meat cluster team in the first year will address the following issues:

- The Kosovo Poultry Association (SHPUK) needs to develop a strategy which will ensure sustained operations
- Kosovo broiler production is not competitive because of high feed costs and current taxation levels on operations
- SHPUK members need to be trained in developing credible business plans for broiler operations
- Kosovo consumers are not aware of the benefits of eating fresh chicken and continue to purchase imported frozen chickens
- The market for Kosovo lamb meat needs to be evaluated before farmers will commit to raising lambs

Kosovo Association of Poultry Producers (SHPUK). The International Fertilizer Development Corporation (IFDC) program helped create SHPUK. Many of the board members attended the USDA-sponsored visit to the United States and are ready to implement a broiler program in Kosovo. The association's goals include:

- Technical assistance in poultry production, marketing and quality control
- Establishing industry standards to enable local products to compete with imports
- Gaining access to new markets for fresh eggs and broilers
- Removal of operational restraints originating with the Government

KCBS will work with SHPUK in creating their 2005 action plan, and in developing an operating strategy, and program, for sustainable growth.

Broiler Operation. There are basically three types of markets at this time in Kosovo for chicken. A whole bird fresh market (estimated at 10% of market) in which price is probably not the major concern; a frozen whole bird market, and a leg quarter market (imported from US) which is priced below the world market cost of production. The Kosovo broiler industry would be focused on the first market because of price considerations. The broiler industry could amount to as many as 10 million birds annually. Below is a cost analysis of producing processed whole birds.

All costs/kg of live product

Item	US cost	Kosovo cost	Kosovo cost – all taxes removed
Chick	11	15	14
Feed	38	60	48+
Housing	6	5	5
Labor	6	4	4
Hauling	3	4	4
Processing	35	17	17
Totals	0.99	1.05	0.93

The critical differences that will determine viability of the broiler industry here are in feed costs (a disadvantageous situation) and processing cost (advantageous). Kosovo can be competitive if feed costs come down and the birds are processed in Kosovo. KCBS will provide technical assistance on sourcing feed grain, operation of broiler production and processing operations and marketing of Kosovo fresh broiler meat. KCBS will assist SHPUK to advocate for appropriate taxation levels on feedgrains and broiler operation inputs to allow the Kosovo broiler industry to be competitive with the world market.

Business Planning. KCBS will be working with SHPUK to determine the financial plan for the establishment of a broiler operation. This financial plan will be presented to potential investors in the broiler industry. KCBS will provide the investors in the broiler industry with technical assistance on the operation of a profitable broiler operation.

Demand for Fresh Kosovo Chicken. The goal of the KCBS program is to create a greater demand for Kosovo produced fresh chicken by increasing per capita consumption through the educating the consumer about the wonderful benefits of using fresh chicken. The best way to increase fresh chicken consumption is to do point of purchase (POP) advertising at the retail level. KCBS will help develop a POP promotional campaign through SHPUK to promote Kosovo fresh chicken, therefore, supporting the development of the Kosovo broiler industry.

Demand for Kosovo Lamb Meat. Historically, Kosovo has been an exporter of lamb meat. The markets in Greece and Macedonia currently are very strong and there is a demand for lamb meat meeting their quality standards. KCBS will under take a study to determine the market for Kosovo lamb meat and determine the steps that need to be taken to fill that market demand.

Results

1. SHPUK initiate new service for broiler operations
2. Establishment of a broiler (fresh chicken meat) production and processing operation in the production, processing and marketing of new chicken products
3. A “model” business plan developed for a broiler operation.
4. Implemented promotional campaign for Kosovo fresh chicken promotional campaigns conducted in major market centers.
5. Assess market demand for Kosovo lamb meat

MEAT CLUSTER

No.	Description	Responsible	Resources	Partner	Milestone	Completion by
1.1	Identify structure of the broiler industry and immediate priorities	Jeff Firman	12 days STTA	SHPUK	SWOT analysis of the industry completed	February 2005
1.2	Study tour to Macedonia and Albania to study broiler production	Peter Dickrell	Fixed Term Contract	SHPUK	Tours completed & industries in Macedonia and Albania assessed	March 2005 & May 2005
2.1	Develop commercial broiler production	Peter Dickrell Ilir Zenelaj	LTТА	SHPUK	Cluster strategic plan developed; Trade initiated	March 2005
2.2	Broiler meat marketing expert	TBD	18 days STTA	SHPUK	Market demand competition and costs analyzed	March 2005
2.3	Assess demand for new product development (e.g., chicken sausage)	TBD	LTТА	SHPUK LGP	New product line identified	June 2005
2.4	Set up broiler slaughterhouse	TBD	18 days STTA	SHPUK	Slaughterhouse operational	June 2005
3.1	Develop model business plan for broiler operation	TBD	LTТА	Credit Institutions, SHPUK	Computerized Business Plan distributed to Association	April 2005
4.1	Implement Kosovo Fresh Chicken POP promotional campaign	Peter Dickrell	Grant	SHPUK	25% consumer recognition of POP promotion	September 2005
5.1	Assess the market demand for Kosovo lamb meat	TBD	LTТА	TBD	Market demand competition and costs analyzed	July 2005

B2.c Animal Feed Cluster Approach

The animal feed cluster team in the first year will address the following issues:

- Business Associations (AKA and KODAA) need to develop action plans to support the needs of the animal feed cluster
- Farmers do not apply fertilizers, or select seed varieties, in a systematic manner to maximize crop yields
- Farmers lack knowledge in how to provide forage and feedgrain concentrates in the right mix to maximize milk yields
- Business accounting practices and records keeping at the farm level is inadequate to support credit applications
- Farmers are not sufficiently aware of the opportunities for oilseed and forage processing

Trade Association Development. KCBS will help strengthen the capacity of the Association of Kosovar Agribusinesses (AKA) and Kosovo Dealers of Agro-inputs Association (KODAA) so they can better provide membership services, achieve financial viability and effectively represent the farmers and agro-enterprises on policy issues. The KCBS activities planned for the animal feed cluster will be initiated with the associations in order to ensure that proper inputs are available for the farmers.

Improved Seed Varieties and Production Practices. KCBS will be helping feedgrain farmers to adapt new technologies for feed grain and forage production. KCBS will work with agri-input suppliers and farmers in sourcing new varieties of seed for maize, soybean and alfalfa production. Currently, farmers report that they did not test their soils to aid them in making decisions relating to how much or what kind of fertilizers should be applied to their soil before raising a crop. In feed grains, some varieties require more or less fertilizer than other varieties. If too much fertilizer is applied you will have excessive vegetative growth, lower yields, and lower solids. This is especially true of over application of nitrogen. Also, over application of fertilizer is a waste of money on the excess fertilizer. If not enough fertilizer is applied the plants will not produce to their maximum capacity. KCBS will work with the soil testing consultants to increase the use of soil testing and proper usage of fertilizer. They will also assist farmers use proper fertilizer formulations and crop protection products.

Improved Forage and Feedgrain. KCBS will work through the dairy farmers association to improve milk production in Kosovo by identifying the needs of the dairy producer and conveying these findings to the feed and supplement suppliers so that they can improve their ability to satisfy these needs. Increased production and improved quality of milk hinges on several factors. Improved forages are needed. This will lead to higher feed consumption by the cows. Higher feed consumption coupled with improved concentrates that are higher in energy and balanced in minerals will lead to higher milk production per cow. As feeding efficiency improves, so will reproductive performance of the cows, this will translate to more healthy calves being born each year. An improved young stock-rearing program will lead to healthier and larger cows. KCBS will implement a forage and feed grain concentrate program with model dairy farmers to cost effectively increase milk yields.

Improve Farm Business Practices. Credit is the number one factor cited by the farmers preventing them from expanding their acreages of feed grains. KCBS and AKA will provide information to the farmers as to availability, cost, and location of seed, fertilizer, pesticides, and other needed inputs. KCBS will work with the producers and processors to develop contracting arrangements for growing feed grains. KCBS will develop a model business plan for the feed grain farmers that meet the needs of the local credit institutions.

Oilseed and forage processing. One issue that will be addressed is the lack of oilseed and forage processing methodology on a small scale. Small scale processing of oilseed may allow the farmer to by pass the middleman and directly market their product to the poultry producers as protein feed and to the household consumer as cooking oil. This may give them a much bigger profit margin encouraging them to go into oilseed production. KCBS will implement farm field days showing the farmers how to crush soybeans and dehydrated alfalfa.

Results

1. Strengthen AKA and KODAA by providing two additional services to their members
2. Yield results from test plots of corn and soybean disseminated to 200 farmers
3. An improved, and more cost effective, use of premix and feedgrain concentrate by Kosovo Dairy Farmers
4. A “model” business plan developed for commercial feed grain farm
5. Two new feed grain products produced – example: Dehydrated Alfalfa and Full Fat Soybean meal

ANIMAL FEED CLUSTER						
No.	Description	Responsible	Resources	Partner	Milestone	Completion by
1.1	Continue working with working groups of private millers organized under the USAID-funded KFPP project to improve quality of feed ingredients	Ilir Zenelaj	LTTA	Former KFPP working groups	Feed quality improved	On-going
2.1	Facilitate production of quality feed grain seed	TBD	Fixed Term Contract	IFDC AIP, SHPUK, AKA, KODAA	Quality feed grain seeds identified and used	February 2005

ANIMAL FEED CLUSTER

No.	Description	Responsible	Resources	Partner	Milestone	Completion by
2.2	Award grant to design and manage variety cultivation and use trials	Ilir Zenelaj Skender Rama	Grant	Potential grantee: Peja Institute of Agriculture	Data from test plots for field grains available for distribution	April 2005
2.3	Disseminate results from feed grain test plots	Ilir Zenelaj Xheraldina Rexhepi	LTTA	SHPUK	Brochure developed and distributed	April 2005
3.1	Institute improvements in dairy rations	Roy Chapin	30 days STTA	KAMP, KVO, KODAA, AKD	Use of Rations measurably improved.	July 2005
3.2	Improve silage preparation using corn and alfalfa	TBD	Fixed Term Contract	KAMP, AIP, MAFRD	Silo quality improved	October 2005
4.1	Develop model business plan	TBD	LTTA	Credit Institutions	Computerized Business Plan distributed to Association	May 2005
4.2	Explore opportunities to improve credit services to farmers through commercial credit institutions and contracting for feedgrain production	TBD	Fixed Term Contract	SHPUK, KAMP	One new credit "service" introduced	April 2005
5.1	Conduct on-farm trials processing of feed grains - Alfalfa dehydration and Soy processing	TBD	12 days STTA	IFDC	Data from on-farm trials available for distribution	September 2005
5.2	Identify market opportunities for soybeans, alfalfa, and silage products	TBD	Fixed Term Contract	SHPUK, AKA, KODAA	Market demand assessed	October 2005

B2.d Egg Cluster Approach

The egg cluster team in the first year will address the following issues:

- The Kosovo Poultry Association (SHPUK) needs to develop a strategy which will ensure sustained operations
- There is no breeder stock operation in Kosovo
- Lack of quality standards for domestic and imported eggs
- High production costs because of poor feedgrain rations
- Absence of legal standards for domestic and imported eggs, poultry breeds and poultry diseases

Kosovo Association of Poultry Producers (SHPUK). The International Fertilizer Development Corporation (IFDC) program helped create SHPUK an association representing the poultry producers in Kosovo. KCBS will assist SHPUK in creating their 2005 action plan which will include B2B events, seminars and field days.

Breeder Stock Facilities. KCBS will help chicken breeders Gjini-Tag, Koni and ADI link with Hyline to establish a breeder operation that will serve Kosovo and surrounding areas. In particular, KCBS will:

- Identify market size per month and average flock size needed at a single hatch.
- Identify housing for both pullets and layers.
- Identify and repair hatcheries as needed.
- Facilitate the transport of hatched chicks and address customs issues at border crossings.

Quality Control. KCBS will work with SHPUK to promote egg quality, branding, and marketing by working with egg producers on egg washing, grading, standardization, packaging and labeling. Clean eggs that have been graded command a price premium that covers standardization costs. KCBS will also work with MAFRD and SHPUK to promote implementation of regulations designed to ensure the quality of imported and domestically produced eggs.

Improve production practices. The intent of the KCBS program is to cost effectively increase the production of eggs in Kosovo. There are an estimated 450,000 commercial laying hens in Kosovo, producing approximately 400,000 eggs per day. The cost of the feed represents over 70% of the total cost of production for eggs. If the feed is not of the highest quality (meeting the daily nutritional requirements of a particular breed of bird) egg production will suffer to the financial detriment of the enterprise. KCBS will assist SHPUK to develop a feed products price list for the cluster to enable buyers to obtain products at the best possible price. KCBS will provide information to farmers on the availability, cost, and location of seed, fertilizer, pesticides, and other needed inputs

The livestock cluster team will work with SHPUK and reputable specialists to organize poultry training seminars on nutrition/production and disease prevention. Early in Year 1, with IFDC, KCBS will field a poultry feed expert to develop least-cost feed formulations. Because feed costs represent up to 70 percent of the production costs for eggs and broilers, this will have a large impact on reducing the total cost of production. KCBS will also work with MAFRD, AKA and KODAA to promote implementation of previously developed regulations designed to ensure the quality of imported agro-inputs (seeds, fertilizers, pesticides, animal feeds or feed ingredients).

Legal Grades and Standards Control. Eggs are being imported into Kosovo from many different countries. These eggs are not being tested for quality. Quality standards will be put in place through MAFD. These standards will ensure that only fresh high quality eggs can be sold in Kosovo. Currently there is no government-controlled testing facility in Kosovo for eggs, KCBS will help set up an appropriate testing laboratory. A further quality concern is the large number of imported products entering Kosovo with no valid certificates, or certificates of dubious origin. A successful testing institute in Kosovo will strengthen control over substandard imports. Once the capability to enforce standards is in place, the egg cluster team will work with MAFD to develop a procedure for rejecting substandard eggs.

Demand for Fresh Kosovo Eggs. After all the laws and procedures are in place to ensure that Kosovo produced eggs are graded and standardized, KCBS will implement a promotional campaign for Kosovo fresh eggs to encourage consumers to buy only Kosovo eggs. The goal of the KCBS program is to create a greater demand for Kosovo produced fresh eggs by educating the consumer about how Kosovo produced fresh eggs are superior to old imported eggs. The best way to increase fresh eggs consumption is to do point of purchase (POP) advertising at the retail level. KCBS will help develop a POP promotional campaign through SHPUK to promote Kosovo fresh eggs.

Results

1. Breeder flock operation and hatchery established
2. SHUPK submit quality control standards for testing and selling domestically produced and imported eggs to MAFRD for approval
3. SHPUK to develop a feed products price list for the cluster
4. Conduct poultry training seminars on nutrition/production and disease prevention management
5. Market share of locally produced eggs increased by 20%
6. A “model” business plan developed for layers production.
7. Regulations and policies affecting the poultry industry submitted to regulatory agency
8. Implemented promotional campaign that results in 25% consumer recognition of Kosovo fresh eggs logo

EGGS CLUSTER						
No.	Description	Responsible	Resources	Partner	Milestone	Completion by
1.1	Review industry structure, resources, and demand for SHPUK action plan	Jeff Firman	12 days STTA	SHPUK	SWOT analysis completed and analyzed	February 2005
1.2	Establish information database for SHPUK	Ilir Doci	LTТА	SHPUK	Database established	August 2005
1.3	Recruit and train associations' executive directors	Peter Dickrell Rick O'Sullivan	LTТА	KAMP, SHPUK, KDPA, KODAA	Skills improved in management of Associations	February 2005
2.1	Study tour to Des Moines, Iowa to observe breeder operation in action	Peter Dickrell	World Learning Hyline	Hyline	Study tour completed	June 2005
2.2	Conduct cost-benefit analysis for Kosovo breeder operation	Peter van der Krabben	12 days STTA	SHPUK, AKA, KODAA	Cost-benefit analysis completed	March 2005
3.1	Poultry laboratory for poultry products quality and disease diagnostic in Kosovo	Abdulah Gagic	Grant	MAFRD/KVFA	System for testing of poultry diseases specified	May 2005
4.1	Calculate poultry feed grain least cost ratios; begin to build Kosovo brand	Jim Andrews	12 days STTA	SHPUK, AKA, KODAA	Ratios calculated Branding introduced	April 2005
4.2	Provide best cost input and disease prevention program	Ralph Stonerock	12 days STTA	SHPUK, AKA, KVO, KODAA	Best-cost analysis prepared	October 2005
5.1	Draft regulation on poultry product quality standards and regulations.	TBD	LTТА 18 days STTA	SHPUK, MAFRD	Poultry product quality regulation adopted and implemented; Official definition of fresh eggs adopted.	July 2005
6.1	Implement Kosovo Fresh Egg POP promotional campaign	Peter Dickrell	Grant	SHPUK	25% consumer recognition of POP promotion	September 2005

B3. The Fruits and Vegetables Cluster

Approach

Led by Acting Team Leader, Muhammed Disha, the fruits and vegetables cluster team in the first year will address the following issues:

- Lack of knowledge as to most profitable varieties to farm and market competitively
- Lack of strong relationships between producers and processors, and mutual understanding of each others needs
- Lack of accurate data about market needs and expectations within Kosovo and abroad
- A Kosovo-wide Association would represent fruit farmers more effectively than the four small regional associations as at present.

Identify products and production methods that provide the best financial returns. Competitiveness depends as much on defining the value chain as on determining profitability, the mechanics of which may be institutionalized by the consultancy among producer and processor organizations over time. For example, Kosovo potato processor Pestova imports `agrea` variety potato seed from Holland at €0.50 - €0.60 per kg, whereas it may be possible to propagate and produce seed locally at lower prices - thus there may be an opportunity to establish a local business to accomplish this. KCBS will encourage cooperation between producers and processors, such as Progresi, to determine the shortcomings in production, what are the products' deficiencies and how they might be rectified. KCBS will set up experimental test plots to evaluate performance, of different varieties of industrial tomato and potato under Kosovo climate and soil conditions, and to estimate their costs of production. The goal will be to identify those varieties, which offer the best financial returns. At the same time, KCBS will be alive to potential specialty niche markets, which are not exploited on a large scale at present – e.g. herbs and organic products – and would address these in next year's Work Plan.

Concurrent with these experiments, KCBS will review current processing capabilities. KCBS will work with local processing companies to facilitate investment in new equipment and plants e.g. industrial drying. Such investment will require assistance in soliciting loans and the submission of credible applications. KCBS will assist farmers to access consultants for the preparation of business plans, and for determining the cost and profit structure of their enterprises.

Establish business linkages. The cluster is challenged in several areas: there is a good deal of strategic uncertainty regarding opportunities to address import substitution, and processing, in order to add value to local production. Information is available of initiatives undertaken to date and recommendations by local and international expertise involved in the sector. KCBS will assist entrepreneurs to identify opportunities for both fresh fruits and vegetables and value-added (processed products) which may prove worthwhile for consideration. KCBS will work to improve relationships within the chain of producers, packaging companies and local wholesale traders. KCBS will assist Kosovo producers in facilitating B2B relationships; we will inform the respective associations about agricultural trade fairs; and will arrange visits abroad for

wholesale fruit and vegetable traders. Before 1990, Kosovo was exporting fruits and vegetables to Croatia, Bosnian and Slovenia; KCBS will explore anew these markets for possible re-entry, and we shall also explore potential new markets in Albania.

Yugoslavian classifications for fresh fruit and vegetables existed in Kosovo pre-war, and they approximated to current EU classifications. KCBS will prepare standards and specifications, which must be attained so Kosovo produce can be classified correctly and with confidence. KCBS will also facilitate preparation of supply contracts between the farmer and processor using these standards to specify more precisely the conditions of supply.

Market Research. To be competitive in the market, Kosovo producers need to be very informed about what are market needs, what are the trends in consumer needs, what are their costs of production, and what are the quality standards expected by the market. KCBS will assist the cluster in determining market needs through market research. Priority will be given to evaluating domestic demand first, and after that in looking for markets abroad. KCBS will engage some students from the University's Agricultural Faculty to conduct price surveys at the farm, wholesale and retail levels, in four of the largest Kosovo towns; this data will help farmers to have better information about the local market. As mentioned earlier, KCBS will assist farmers in determining the cost and profit structure of their enterprises.

The fruits and vegetables cluster will help regional associations to set quality standards along the value chain. The growth of supermarket chains in Kosovo may create a demand for high-quality fresh fruit and vegetables, but for these markets to source these items locally, they will need a consistent supply of high-quality products.

Kosovo Fruit Associations (KFA). There are today in Kosovo some regional fruit associations, but their activities are limited to their regions. KCBS sees the possibility for creating a single Kosovo-wide Fruit Association under which the existing associations would operate as regional branches. We envisage the Association's goals to include:

- Introducing new technologies in production, marketing and quality control.
- Facilitating the supply to their members of best new chemicals and other inputs.
- Gaining access to new markets
- Advocating with government institutions to solve constraints affecting their cluster.

Results

1. At least 4 new Kosovo-produced varieties introduced to meet the demand of processors and compete successfully with imports.
2. At least 3 new Kosovo-processed products developed and marketed that add value to locally-produced or imported raw materials.
3. Improved quality of harvested and processed fruits and vegetables, meeting HAACP/ISO/BIO standards
4. A single Kosovo Fruitgrowers Association established with a developed strategic plan for sustainable representation of all growers
5. New processing equipment for local produce installed in at least one major processing company thereby enabling import substitution.

FRUITS AND VEGETABLES CLUSTER						
No.	Description	Responsible	Resources	Partner	Milestone	Completion by
1.1	Establish current cost of production of fruit & vegetables	Reshat Ajvazaj	LTTA	NGOs Traders	Information shared and used as a marketing tool	March 2005
1.2	Define “winners” for industrial tomato and potato varieties.	Muhamet Disha Reshat Ajvazaj	LTTA	Progres Pestove Agric. Faculty LWF	Varieties defined which better use the land potential	May 2005
1.3	Work with local businesses to help set up food processing facilities (e.g., industrial drying).	Muhamet Disha Reshat Ajvazaj	STTA (Ted White)	Agroalbi	New or refurbished facilities operational	September 2005
1.4	Initiate test plots for a range of crops e.g., tomatoes, potatoes, onion, apples and strawberries and yields to determine processing potential.	Muhamet Disha Reshat Ajvazaj Skender Rama	Grant or Subcontract	NGOs Agric. Faculty Peja institute	Crops identified to meet processing demand	October 2005

FRUITS AND VEGETABLES CLUSTER

No.	Description	Responsible	Resources	Partner	Milestone	Completion by
2.1	Establish market chain linkage between farmer (apple producer) and wholesaler.	Muhamet Disha Reshat Ajvazaj	LTTA	Pema Elkos	80% of current undistributed stocks [600 t] sold through new channels	March 2005
2.2	With Anadrini visit vegetable processing companies in Albania, Croatia, Slovenia.	Muhamet Disha Reshat Ajvazaj	LTTA	Anadrini Alcred Shpiragu	B2B linkages established. Increased exports	April 2005
2.3	Trip visit in Bosnia (LAMP - project).	Muhamet Disha Reshat Ajvazaj	LTTA	LAMP	Market information obtained from buyers regarding quality, source, origin, volume, costs	April 2005
2.5	Visit regional trade fairs with client companies.	Muhamet Disha Reshat Ajvazaj Skender Rama	Grant	Business associations (Anadrini, Perdrini, Pema), Progres.	New linkages created and new approaches to the markets	June 2005
2.6	Study tour to Holland for fruit and vegetable business associations.	Muhamet Disha Reshat Ajvazaj	STTA (Ted White)	World Learning	Knowledge gained in preparing products for export market	June 2005
2.7	Facilitate transactions between buyers and sellers using new or improved products.	Muhamet Disha	STTA (Ted White)	Business association	Increased domestic and export sales	October 2005

FRUITS AND VEGETABLES CLUSTER

No.	Description	Responsible	Resources	Partner	Milestone	Completion by
2.8	Support contracting relationships between farmer and processor.	Reshat Ajvazaj	LTTA	Delta Pomfit Pestova, Prodres Anadrini	Four contracts signed with major processors	September 2005
2.9	Preparing the specifications and standards for F&V classifications according to the categories.	Reshat Ajvazaj	LTTA	Anadrini Pema	Quality control	June 2005
3.1	Monitoring the prices of F&V in Prishtina, Prizren, Peja and Gjilani market at level of farm, wholesale and retail.	Muhamet Disha Reshat Ajvazaj	LTTA	Students of Agriculture Faculty, Elkos, F&V association	Schedules of observed prices issued to farmers and processors	October 2005
3.2	Improving quality of final product packaging (packaging market research in region and abroad – Trip visit).	Muhamet Disha Reshat Ajvazaj	STTA	Business association (e.g. Anadrini, Pema, etc)	Meeting quality standards	October 2005
3.3	Increasing the quality of fresh F&V and processed products and introduce a seal of quality.	Muhamet Disha Reshat Ajvazaj	STTA	Anadrini Pema, Progres Pestova Delta Pomfrit	Meeting HACCP/ISO/BIO standards/EURO Gap	July 2005
3.4	Establish a ‘Made in Kosovo’ brand for specific products, distributed in Local Market	Muhamet Disha Reshat Ajvazaj Xheraldina Rexhepi	STTA	Business associations	Made in Kosovo brand established	August 2005
4.1	Creation and registration of Association of Fruit Growers, and development of a strategic plan	Muhamet Disha Reshat Ajvazaj Mentor Thaqi	LTTA	Fruit associations Minist.of Agriculture	Association formed and registered with UNMIK	October 2005
4.2	Strengthen the Association in its formation, and advocate with government institutions to solve members' problems and protect their interests.	Rick O'Sullivan Muhamet Disha Reshat Ajvazaj	LTTA	Fruit associations Minist.of Agriculture	Inaugural meeting held. Agenda for action over next three months.	October 2005

B4. The Construction Materials Cluster

Approach

Led by Martin Wood, the construction materials cluster team in the first year will address the following issues:

- Wood processors association lacks strategy and cohesion
- Lack of standards for the most commonly used construction materials
- Absence of quality assurance testing facilities for domestic and imported products
- Inefficient use of existing productive capacity in manufacturing construction materials
- Lack of capacity in manufacturing to take advantage of market opportunities; and
- Government policies and regulations that inhibit entrepreneurship in the cluster

Association of Wood Processors of Kosovo. Much groundwork was laid during the Kosovo Business Support (KBS) program to create enthusiasm for the association among “charter” members. This was reinforced by their recent World Learning-sponsored visit to the United States. The construction materials cluster team will give top priority to finalizing the association by-laws, formally registering the association with UNMIK, and agreeing on the composition of the managing board. Mr. Burim Meqa will act as Association Secretary for the first six months, and he and Mr. Wood will participate in association meetings as non-voting, honorary members to facilitate discussions on proposals to further the association’s goals, including:

- Technical assistance in processing, production, and manufacturing techniques
- Establishing industry standards to enable local products to enter external markets
- Gaining access to markets for semi-finished, as well as finished, products
- Improvements in factory safety and health practices
- Removal of operational restraints originating with the Government

Two other issues will be addressed in Year 1: forest management and primary processing. The Association of Wood Processors of Kosovo (AWPK) will provide significant input to discussions on both issues. Short-term advisors will provide guidance in prudent modern forest management practices and assist with reforms in forest organization. Rick O’Sullivan and Martin Wood will analyze the advisability of establishing an association to support the private forest industry in wood marketing, technology development, ownership questions, and lobbying.

Manufacturing Standards and Quality Control. The government passed the Law on Standardization in April 2004. The law called for respective ministries to issue bylaws and provisions to ensure implementation within six months. The most significant measure was the call for the formation of the Kosovo Standardization Agency (KSA), which after eight months is still not established. This agency is an essential prerequisite for improving quality control of manufactured construction products, and KCBS will advocate strongly with the Ministry of Trade and Industry (MOTI) to accelerate its creation.

While the KSA is being organized, KCBS will form and support Technical Advisory Groups responsible for developing essential materials standards. Groups will comprise representatives of MOTI, the University of Prishtina, professional associations of architects and civil engineers and leading manufacturers of the product for which a standard is being drafted. Construction materials for which standards have been identified as urgently required are cement, aggregates, concrete, reinforcing steel, bricks, asphalt and wood windows.

Enforcement of standards is one ingredient of success in improving quality, but a prerequisite for enforcement is the ability to determine whether or not a product has been manufactured in accordance with standards. There is no government-controlled testing facility in Kosovo. The construction materials cluster team will work with MOTI to provide sufficient testing facilities to support compliance with the law.

A further quality concern is the large number of imported products entering Kosovo with no valid certificates, or certificates of dubious origin. A successful testing institute in Kosovo will strengthen control over substandard imports. Once the capability to enforce standards is in place, the construction materials cluster team will work with MOTI to develop a procedure for returning substandard products to the country of origin.

Improved Productive Capacity. Many companies in Kosovo are managed by experienced directors who were active in industry before the war. However, since restarting their businesses, their production efforts have been handicapped by old and poorly maintained equipment, a shortage of skilled employees, and inexperienced mid-level managers. Giving priority to sub-clusters that have the greatest potential for import substitution, the construction materials team will work with industry, and particularly with potential champions in a sub-cluster, to identify common operational and management weaknesses and regulatory constraints. Focus in the first year will be on companies supplying materials for concrete production and road construction, and on terracotta products. Mr. Valdet Osmani will support the Kosovo Association of Road Constructors (KARC) in developing action plans for 2005. The team will help develop strategies for improving productive capacity through:

- Specialized training courses in financial, operations, sales and quality management
- Supporting credit applications to finance new plant
- Advocating changes in regulations and policies affecting the industry

Results

1. Association of Wood Processors in Kosovo established on a sustainable basis
2. Demand for an association of private forest owners assessed and recommendation made
3. Standards for components used in producing concrete – cement, aggregates and reinforcing steel – submitted to KSA for approval.
4. Procedures developed for testing materials to ensure standards are enforced
5. Action Plan developed for acquiring necessary testing equipment/facilities to ensure standards are enforced
6. Investment facilitated in additional productive capacity for rebar, thermal blocks and quarried aggregates resulting in 235 new jobs.

1. ASSOCIATION OF WOOD PROCESSORS OF KOSOVO						
No.	Description	Responsible	Resources	Partner	Milestone	Completion by
1.	Formally register the AWPK	Burim Meqa	LTTA	AWPK	Association registered	December 2004
2.	Establish operating framework for AWPK (by-laws, board of directors, secretary, etc)	Burim Meqa	LTTA	AWPK	By-laws adopted	December 2004
3.	Develop Strategic Plan for AWPK identifying partners and allies	Burim Meqa Rick O'Sullivan	LTTA 12 days STTA	AWPK CIPE	Strategic Plans in place	March 2005
4.	Award subcontract for association marketing and advocacy plans	Burim Meqa Rick O'Sullivan	Subcontract	Local consulting firm	Marketing and advocacy plans prepared	February 2005
5.	Implement priority action plans	Burim Meqa Rick O'Sullivan	LTTA	AWPK	Association strengthened	On-going
6.	Sponsor attendance for AWPK at wood processing trade show in Thessaloniki	Burim Meqa Mentor Thaci	Support for travel, per diem, logistics	AWPK	Trade show attended	31 March – 3 April 2005

1. ASSOCIATION OF WOOD PROCESSORS OF KOSOVO

No.	Description	Responsible	Resources	Partner	Milestone	Completion by
7.	Establish website for AWPK	Burim Meqa	15 days local STTA	AWPK	Website established	April 2005
8.	Wood Week - sponsor trade fair and B2B exchange in Kosovo with wood processors from Bosnia, Croatia and Slovenia.	Burim Meqa		Kosovo Chamber of Commerce; Regional firms	Trade fair attended; B2B transactions negotiated	June 2005
9.	Define quality standards for wood windows and doors	Burim Meqa	LTTA	MOTI AWPK Univ. of Prishtina	Standards defined	June 2005
10.	Advise AWPK members on wood industry manufacturing operations [1]	TBD	12 days STTA	AWPK	Manufacturing operations improved	July 2005
11.	Launch and sponsor a 3-month undergraduate training program (apprenticeship), including a 10-day visit to wood processing companies in Europe	Burim Meqa	LTTA World Learning Grant for materials	AWPK Univ. of Prishtina Wood processing companies in Kosovo and Europe	Apprenticeships completed	September 2005
12.	Conduct an assessment of the forestry industry	Dave Gibson	22 days STTA	MAFRD/KFA Forest products companies;	Industry assessment completed	September 2005
13.	Advise AWPK members on wood industry manufacturing operations [2]	TBD	12 days STTA	AWPK	Manufacturing operations improved	October 2005
14.	Assess demand for an association of private forest owners	Rick O'Sullivan	LTTA	Private forest owners	Association feasibility study completed	October 2005

2. IMPROVED QUALITY CONTROL

No.	Description	Responsible	Resources	Partner	Milestone	Completion by
1.	Procure copy of standards for targeted products (aggregates, steel, cement, etc.)	Martin Wood	Expenses for purchasing standards	British Standards	Standards obtained	January 2005
2.	Set up pilot program to develop the cement standard; monitor the various stages; assess pitfalls, delays	Martin Wood	Subcontract	MOTI Univ. of Prishtina Prof. Associations	Cement standards submitted to MOTI	June 2005
3.	Establish technical support group at standardization agency	Martin Wood	LTTA	MOTI	Technical Support Group established	March 2005
4.	Coordinate a Ministry conference on standardization	Martin Wood	LTTA	MOTI/KSA	Conference held	May 2005
5.	Prepare a detailed assessment of the process to approve building materials standards	Martin Wood		MOTI/KSA Univ. of Prishtina Prof. Associations	Model and Methodology for standards approval process defined	June 2005
6.	Draft standards for aggregates, steel, concrete blocks and asphalt	Martin Wood	Subcontract	MOTI/KSA	Standards approved for other products	September 2005
7.	Develop procedures for testing materials to ensure standards are enforced	Martin Wood	LTTA 15 days STTA	MOTI/KSA Univ. of Prishtina Prof. Associations	Procedures drafted	July 2005
8.	Develop Action Plan for acquiring necessary testing equipment/facilities to ensure standards are enforced	Martin Wood	LTTA 15 days STTA	MOTI/KSA Univ. of Prishtina Prof. Associations Local bank(s)	Procurement plan prepared, and funding sources identified	October 2005

3. IMPROVED PRODUCTIVE CAPACITY

No.	Description	Responsible	Resources	Partner	Milestone	Completion by
1.	Reinforcing steel plant. [Aragonit]. Support Drafting of documentation and business plan for loan application	Valdet Osmani Naim Avdiu	LTTA	Steel plant	Business plan prepared	January 2005
2.	Assist Aragonit to contract for steel plant loan application	Valdet Osmani Naim Avdiu	LTTA	Local commercial bank(s)	Loan approved	January 2005
3.	Establish capacity to conduct tests on imported reinforcing steel	Valdet Osmani	LTTA	Univ. Of Prishtina Aragonit	Laboratory installed	June 2005
4.	Producer of thermal insulated blocks [Silkapor]. Meet with KTA to agree on an accelerated schedule for privatization	Valdet Osmani	LTTA	KTA	Privatization schedule approved	January 2005
5.	Meet with local commercial bank to discuss company loan application and assist thermal insulated block producer to improve application	Valdet Osmani Naim Avdiu	LTTA	Local commercial bank(s)	Loan approved	January 2005
6.	Facilitate privatization transaction	Valdet Osmani Martin Wood	LTTA	KTA	Privatization complete	April 2005
7.	Increased production of thermal blocks and employment	Valdet Osmani	LTTA	Silkapor	Business Plan targets achieved	June 2005
8.	Aggregates. Assess quality of current aggregate suppliers to road contractors and concrete producers.	Valdet Osmani	LTTA	Aggregate suppliers	Product quality assessment completed	January 2005
9.	Meet with road builders to determine quality input requirements	Valdet Osmani	LTTA	KARC	Quality standard requirements determined	February 2005

3. IMPROVED PRODUCTIVE CAPACITY

No.	Description	Responsible	Resources	Partner	Milestone	Completion by
10.	Recommend methods for improving quality control	Valdet Osmani	LTТА	KARC Aggregate suppliers	Quality Control procedures recommended	March 2005
11.	Develop annual action plan for KARC	Valdet Osmani	LTТА	KARC	Action Plan published	February 2005
12.	Establish website for KARC	Valdet Osmani	15 days local STТА	KARC	Website established	April 2005
13.	Reactivate association of terracotta product manufacturers and develop action plan.	Valdet Osmani	LTТА	Association	Action Plan published	June 2005

C. IR 1.3.2 Improved Business Operating Environment

Approach

Led by Rick O’Sullivan, the Business Services Support Team in the first year will address the following issues:

- Many policy reforms have been proposed in numerous reports; these need to be prioritized for action
- Demands for business support services are many; the infrastructure to nurture these services needs to be developed
- Existing associations and business support organizations, and others yet to be formed, need to be institutionally strengthened
- Few businesses perceive a value for business services; a demand-driven approach to the industry has to be introduced
- Contacts and negotiations between buyers and producers need facilitating
- Credit and financial services for enterprises in targeted clusters need to be more accessible and the procedures simplified

Policy reform priorities and business support services needs. KCBS will encourage and empower clusters to identify policy reform priorities and business support services needs. KCBS will subcontract through the Strategic Activities Fund [SAF] with local organizations to analyze and draft reform proposals. KCBS will rely on short-term technical advisors from The Services Group, Crimson and other partners to identify specific barriers to enterprise development and propose policy reforms for stakeholder consideration e.g. associations, civil society advocates, NGOs, and government agencies.

The key to success of this aspect of the project will be to remain demand-focused and not supplier-driven. Our goal is to incubate services through private sector firms, associations and other civil society organizations, and government agencies. It is not the intent of KCBS to provide services directly. Because we will focus on business support infrastructure needs, we will coordinate with other USAID contractors, as well as EAR and other donor activities.

Strengthen associations and business support organizations. KCBS will strengthen associations and business support organizations, or help create new ones when needed, to develop a growing and lasting capacity to deliver business development services required in the market. To do so, it will adopt a learning-by-doing strategy, building the capacity of providers by assisting them to respond to the demands of their members or clients in a manner that is replicable by other, potentially competing organizations. KCBS will also deliver institutional support to associations to enable them to advocate policy reform and deliver self-sustaining, market-directed services, information, and standards to members – but, again, in a learning-by-doing mode. KCBS will coordinate any activities with specific associations with umbrella groups such as Alliance of Kosovo Businesses [AKB], Alliance of Kosovo Agribusinesses [AKA], the Kosovo Chamber of Commerce, and the American Chamber to assure that positive results can be replicated throughout the association sector.

KCBS will develop self-sustaining business models for associations that will survive the end of the KCBS project. This demands that these associations not only focus on the needs of the markets their members serve but also build mutually profitable partnerships with business service providers that encourages the growth of the business services sector by reducing barriers to entry, educating members on the value of better business practices, and serving as a channel for business service providers. This cooperative relationship is essential to assure that subsidized associations do not unintentionally create barriers to entry into the business services sector.

KCBS goal is to develop demand-driven associations to serve the needs of their members' markets, and not those of existing members. This approach is absolutely essential to prevent associations from becoming fortresses for current businesses and barriers to entry to new firms and entrepreneurs. Our objective is to help Kosovo businesses anticipate and meet the demands of the EU market of 2009. We will assess market demand and help industry clusters and their member firms understand what and to whom to sell, what product grades and standards apply, and how free trade agreements and other policy issues will impact business development. We consider it critical to coordinate with other cluster development projects in the region.

Introduce a demand-driven approach to developing the business consulting industry. The business service provider (BSP) market is a derived demand market, that is, its growth depends on the growth of the specific markets for goods and services that it's clients serve. The fundamental constraint to its growth is demand: there are few businesses that perceive a value for business services. That will only come only as reforms that promote and protect higher quality standards, greater transparency, competition, and rule of law that will, in turn, foster and reward more professionally run enterprises. For example, to increase the practice of maintaining financial statements, KCBS and the associations it sponsors need to work with banks to teach them how to use financial statements and business plans, instead of collateral requirements, to evaluate loan applications. In this broader context, then, the support that our cluster teams provide in the product market is the foundation and core of our strategy to support the service market. Although it is tempting to try to build capacity solely from the supply side, it is essential that we respect how the BSP market works and put the horse squarely in front of the cart.

More specifically, under the guidance of Jim Riordan, KCBS will introduce a demand-driven approach to developing the business consulting industry. As the cluster support teams identify members' needs for marketing, technical or legal assistance, the BSS team will help relevant stakeholders:

- identify potential sources of that assistance;
- help the stakeholders negotiate cost-sharing agreements involving the firms in the cluster, associations, government agencies, KCBS, and other third-parties to pay for it;
- assure that the process of selecting the provider is one of open, transparent competition; and,
- monitor, together with the purchasing firm, the compliance of the provider with the terms of its contract.

To the extent that the sources of technical assistance themselves need technical assistance, the BSS team shall provide it. In short, the BSS team will expand the capacity of the BSP market:

- by starting in every case from the demand side;
- through learning by doing; and
- by creating multiple-partner strategies that assure results are replicable elsewhere in the Kosovo economy.

Among the likely sources of support services will be the business consulting service centers that several municipalities in Kosovo plan to establish. KCBS will not provide institutional support to these centers per se, but will in effect contribute to their growth to the extent that they emerge as the most appropriate sources of technical assistance to meet the needs of cluster businesses.

Assisting cluster teams in facilitating contacts and negotiations between buyers and producers. The BSS team will assist the cluster teams in facilitating contacts and assistance in negotiations between buyers and local and foreign business agents on one hand, and local producers and enterprises on the other. Their task will be to identify qualified buyers who are capable of providing long-term relationships and not just one-time sales and facilitate developing these relationships through the provision of targeted, cost-shared technical assistance. They will act as an honest broker in the buyer-producer relationship. They will also facilitate the provision of business development services, employing the same approach in these “targets of opportunity” as in cluster support. Specifically, the members of the BSS team will, through third-parties such as private-sector business services, civil society organizations, and government agencies, help to facilitate businesses’ access to transport, insurance, finance, technical assistance, accounting services, market research, and new technology. It is BSS’ and KCBS’ goal that all business support services including those undertaken by the BSS team itself be sourced from or migrated as quickly as feasible into the marketplace.

Increase access to credit and financial services for enterprises in targeted clusters. KCBS partner, Crimson Capital, will be engaged to increase access to credit and financial services for enterprises in targeted clusters. The lack of long-term collateral, few bankable projects, and limited and unpredictable cash flows are key constraints to business development. Crimson’s Michael Gold will work with commercial banks to lengthen loan terms and develop new instruments, such as agricultural lending. This will require identifying public policy changes to accommodate alternative financing including credit cards, nonprofit organizations such as credit unions, farmers’ trusts, and other financial institutions. He will deliver technical assistance and assistance in obtaining short-term working capital lending to help SMEs become bankable for longer term financing. Chemonics’ Development Credit Authority (DCA) specialist Carrie Averch will help determine the feasibility, optimum structure, and potential timing of a DCA guarantee for Kosovo.

Crimson Capital will also examine the investment climate and identify opportunities for increased investment into clusters, job creation, and new partnerships with international firms. Crimson Capital will also examine the current privatization climate and identify transaction opportunities if there is an appropriate role for the project to play to assist in pushing the privatization process forward, especially in targeted clusters.

Results

1. Administrative and policy constraints to business growth identified, quantified, and publicized.
2. Consensus on immediate priority policy reforms reached and action plan endorsed by business and government leaders.
3. Leading business associations improve operational efficiency, cost recovery, member services, outreach, marketing, and regional cooperation.
4. Forum established for promoting business-government dialogue
5. At least four existing Associations have self-sustaining business models in place
6. With KCBS support, American Chamber of Commerce attracts at least 2 foreign companies to invest in Kosovo.
7. Business advisors trained in identifying market opportunities and acting as market brokers.

C1. BUSINESS CONSTRAINTS						
No.	Description	Responsible	Resources	Partner	Milestone	Completion by
1.	Conduct detailed review of administrative barriers to business	Tom Jersild Art Dimas	24 days STTA	UNMIK, PISG, EAR AmCham	Constraints study issued to USAID	February 2005
2.	Work with AKA to define new VAT exemption for imported livestock feed and its effect on feed milling sector	Mentor Thaqi	LTTA 5 days STTA	AKA	VAT exemption analysis completed	March 2005
3.	Examine privatization, entrepreneurial, and investment climate and opportunities	Michael Gold	17 days STTA	KTA, UNMIK, EAR, PISG	Privatization opportunities and schedule defined	May 2005

C1. BUSINESS CONSTRAINTS

No.	Description	Responsible	Resources	Partner	Milestone	Completion by
4.	Create and organize forum to promote business-government dialogue, similar to the Bulldozer Committee in BiH	Rick O'Sullivan	LTТА Subcontract	UNMIK, PISG, AmCham, AKB, AKA, local consultant	Standing forum for policy reforms established	April 2005
5.	Publish and disseminate results of business-government roundtable	Xheraldina Rexhepi	LTТА	USAID, local media	Press conference held; press release	May 2005
6.	Coordinate with World Bank to add Kosovo to the Doing Business 2006 index of barriers to business	Nazmi Pllana	LTТА Subcontract	Local contractor	Negotiations with World Bank to include Kosovo in "Doing Business 2006" completed, local partner identified	April 2005
7.	Assess trade policy harmonization and draft regulation to simplify the regime	Rick O'Sullivan	12 days STТА	UNMIK, PISG, AmCham	Regulation on trade policy harmonization drafted	July 2005
8.	Provide privatization and investment strategy support as needed in targeted clusters	Michael Gold	17 days STТА	KTA, AmCham	Transactions facilitated	September 2005
9.	Cost-benefit analysis and impact study of the 27 free trade agreements in the region (e.g., Kosovo and Macedonia FTA in 2005).	Rick O'Sullivan	17 days STТА	UNMIK, PISG, AmCham, USAID (Nealson)	Cost-benefit analysis and impact study completed	July 2005
10.	Prepare and disseminate a brochure summarizing the highlights of the trade policy review	Xheraldina Rexhepi	LTТА	USAID, local media	Brochure written, published and distributed	September 2005

C2. BUSINESS ASSOCIATIONS

No.	Description	Responsible	Resources	Partner	Milestone	Completion by
1.	Assess strengths and weaknesses of leading business associations. Review financial reporting, business planning, pricing, and information technology practices.	Rick O'Sullivan Mentor Thaqi Safo Musta	LTТА	KDC, AmCham, AKB, АКА	SWOT analyses completed	January 2005
2.	Reach out to women's business associations and help link them to other business associations	Rick O'Sullivan Mentor Thaqi Safo Musta	LTТА	Women's business associations, KDC, VITA	Women's associations linked with AmCham & AKB	March 2005
3.	Support AmCham business and marketing strategy to attract investment	Rick O'Sullivan	LTТА	AmCham	FDI strategic plan and budget articulated	February 2005
4.	Introduce cost-based business planning methods to key associations and mentoring of executive directors	Rick O'Sullivan Susan Burton	STTA 16 days	AKB, АКА, AmCham, Wood Products Assoc., Poultry Assoc.	Business plans, with revenue forecasts, written for at least 3 associations	April 2005
5.	Engage in Discussions on Macedonian Free Trade Agreement (FTA)	Rick O'Sullivan, Mentor Thaqi Safo Musta	LTТА	KDC, AKB, АКА, MTI, Macedonian counterparts	Open forum held to review impact of FTA on cluster sectors	February 2005
6.	Lead study tour to Montenegro to improve advocacy and coalition-building skills	Rick O'Sullivan	Expenses for travel, logistics, etc.	Montenegro Business Alliance	Study Tour completed	February 2005
7.	Develop strategic plans – including advocacy and gender plans – for leading associations	Bruce Butterfield	12 days STTA	KDC, AmCham, АКА, AKB	Draft strategic plans prepared	April 2005

C2. BUSINESS ASSOCIATIONS

No.	Description	Responsible	Resources	Partner	Milestone	Completion by
8.	Identify type and cost of services that the associations should be providing to their members to enable them to better serve their customers	Susan Burton Jack Cox	24 days STTA	AmCham, AKA, AKB	Fee-for-service products developed	March 2005
9.	Select and strengthen institutions to set and enforce standards in a self-sustaining, transparent fashion.	Rick O'Sullivan Mentor Thaqi Safo Musta	LTTA	Standards board, business associations	Public-Private partnership conf. on Standards Dev. Strategies completed	May 2005
10.	Deliver marketing assistance to leading associations	Jack Cox	12 days STTA	AmCham, AKA, AKB	Marketing, communications plans in place	April 2005
11.	Create Environmental Scanning process and Scenario planning for key associations	Rick O'Sullivan, Bruce Butterfield	24 days STTA	KDC, AKA, AKB, Chambers, AmCham	Initial environmental scans developed, scenario workshops completed, draft plans created	May 2005
12.	Support associations to promote and self-regulate standards among service providers	Rick O'Sullivan	LTTA	AmCham, AKA, AKB, Poultry and Wood Products associations	Standards understood, barriers identified and enforcement strategies developed	May 2005
13.	Conduct business training seminar for women business leaders in strategic planning and marketing	Rick O'Sullivan Safo Musta	LTTA, Subcontract, USAID D&G	Women's business associations	Seminar held	May 2005

C2. BUSINESS ASSOCIATIONS

No.	Description	Responsible	Resources	Partner	Milestone	Completion by
14.	Deliver business training seminar for women business leaders in access to capital and financial management	Rick O'Sullivan Safo Musta	5 days STTA, Subcontract (see no. 8 above)	Women's business associations	Seminar held	June 2005
15.	Host a regional B2B and access to finance conference	Michael Gold, Rick O'Sullivan, Mentor Thaqi	22 days STTA	AmCham, AKA, AKB, Chamber of Commerce	B2B conference held	June 2005
16.	Prepare association leaders for trade shows, including competitive intelligence techniques	Rick O'Sullivan, Terri Shaffer	LTTA, 12 days STTA	AmCham, AKA, AKB	Participants for three trade shows targeted, and registered; arrangements prepared	July 2005
17.	Sponsor participation of Kosovo business associations in 2005 South East Europe Associations of Fruit and Vegetable Processors in Albania	Rick O'Sullivan	Grant	Potential grantee: local fruit and vegetable associations such as Anadrini, AKA	Fruit and vegetable association conference attended	December 2005
18.	Assist associations to recruit women leaders and members	Rick O'Sullivan Safo Musta	LTTA	KDC, AmCham, AKA, AKB	Women in leadership positions at associations	Ongoing

C3. BUSINESS SUPPORT SERVICES

No.	Description	Responsible	Resources	Partner	Milestone	Completion by
1.	Identify and publish barriers to business (FDI, trade)	Rick O'Sullivan Xheraldina Rexhepi, Vesna Goluboic, Branimir Dimitrijevic	LTТА	Leading business associations; media organizations, AmCham	Articles published; dialogue enhanced	May 2005
2.	Survey credit providers and collect data on loan terms and conditions, reasons for loan rejections	Michael Gold Naim Avdiu Vesna Golubovic	12 days STТА LTТА	Commercial banks, MFIs	Credit supply survey completed	March 2005
3.	Inventory business service providers and assess business practices, including business ethics, communications, strategic management practices, business plan writing, market research practices, and marketing strategy	Branimir Dmitrijevic Qazim Pirana	LTТА	Business service providers	Inventory completed	May 2005
4.	Invite a gender specialist to conduct gender training for KCBS staff, business service providers and cluster leaders	Safo Musta	17 days STТА	KCBS staff, business service providers, cluster leaders	Gender-based services established for business providers	April 2005
5.	Identify demand for credit and financial services	Michael Gold	12 days STТА	Commercial banks, MFIs	Credit demand survey completed	April 2005
6.	Assess market demand for consulting services, evaluate pricing strategies, and conduct a SWOT analysis of leading business service markets	Branimir Dmitrijevic Qazim Pirana	LTТА	Business service providers	SWOT analyses completed	May 2005
7.	Upgrade and certify accounting training material; define and meet need for audit requirements depending on region	Vesna Golubovic, Naim Avdiu	LTТА	SCAAK, SRRS, IEKA (SCAAK's Serbia's/Albania's counterparts)	Business plan for financial training materials upgraded	April 2005

C3. BUSINESS SUPPORT SERVICES

No.	Description	Responsible	Resources	Partner	Milestone	Completion by
8.	Together with the World Bank, train advisors at business service team to act as market brokers	Jim Riordan, Cluster Team leaders	12 days STTA	World Bank BCSCs	Business advisors trained	May 2005
9.	Explore feasibility of introducing DCA guarantee in Kosovo	Rick O'Sullivan	7 days STTA	Banks, MFIs, USAID/DCA	DCA guarantee program designed	June 2005
10.	Identify new financial products. Help banks and microfinance institutions put remittances to productive use and promote enterprise competitiveness	Michael Gold Rick O'Sullivan	12 days STTA	Commercial banks, MFIs	New products and potential alternative providers identified	July 2005
11.	Deliver pilot for new accounting training curriculum	Vesna Golubovic, Naim Avdiu	LTTA	SCAAK, SRRS, IEKA	First two courses for middle management of new curriculum delivered	September2005
12.	Work with BPK and banks to improve collateral issues	Michael Gold; Vesna Golubovic	12 days STTA	BPK; commercial banks	Collateral issues analyzed; recommendations submitted	September2005
13.	Educate bank loan officers, regulators, and other government officials on modern loan approval practices to reduce barriers to capital.	Michael Gold; Vesna Golubovic	2 days STTA	BPK, Raiffeisen Bank	Workshop held on lending practices including alternatives to collateral such as insuring loans and business plan and financial performance reviews	September2005

III. PROGRAM MANAGEMENT

Quality reporting, strategic communications, rigorous grants and subcontracts management, and consistent performance management are integral parts of KCBS activities. This section looks at these essential components of program management.

A. Strategic Activities Fund

Strategy. Set up and use a grants and subcontracts fund to support discrete initiatives such as performance data gathering and analysis, market demand assessments, and value-chain analysis. The Strategic Activities Fund [SAF] will support specific technical activities under cost-sharing and fee-for-services arrangements agreed to by KCBS, USAID, and participating partners.

Activities. The Strategic Activities Fund [SAF] Manager, Skender Rama, with support from the Chemonics home office, will develop criteria for use of the fund and draft a SAF policy and procedures manual. The manual will establish the process under which the fund can be accessed and provide guidelines for reporting and monitoring on activities financed by the fund. The fund will be managed under the direction of the KCBS chief of party, with decisions on uses of the fund to be agreed to by the entire technical team and made under terms that adhere to USAID policy guidelines. As part of the criteria for monitoring and reporting, KCBS will set a target for the amount and types of resources the fund will seek to leverage.

Resources. KCBS technical assistance, USAID CTO, Chemonics home-office Contracts Department.

B. Performance-Based Management System

Strategy. Monitoring progress and evaluating results are key management functions in KCBS. Performance monitoring is an ongoing process that supports KCBS and USAID managers to determine progress made. We will track and report to USAID on all project activities, but we will hold ourselves accountable only for higher-level results measured by increased jobs, sales and deals (trade and investment). In the final analysis, everything else is subordinate to that end. In the course of implementation, for example, we may find that access to credit is not a key obstacle to the growth of firms in a cluster; if that is the case, it would not make sense to try to meet predetermined loan targets. Ensuring flexibility on this point will ensure that USAID and Chemonics remain focused on managing for higher-level results.

The PBMS will provide the foundation for tracking delivery of expected outputs and quantitative impact to measure progress; it will also support USAID's monitoring and evaluation needs by providing input to the mission's SO 1.3 and associated IR indicators. The system is based on a results design linking activities to desired outcomes and impact. The results framework guides the annual work plan to support achievement of results. All team members and partners are responsible for collecting data in their technical areas. The PBMS specialist coordinates this effort, consolidates all data collected, and generates aggregate data for the performance indicators.

The PBMS will employ some Gantt Charts, which are attached to this Work Plan, and which show the cluster activities as described in the tables under the Work Plan sections for each cluster. The charts show the expected start and end dates for each activity. The clusters will monitor progress against each activity, and each month will report on progress of those activities, which are scheduled to be worked on during the month. Activities ahead and behind schedule will be noted, and remedial action identified to regain schedule where appropriate.

Activities. Performance management specialist Nazmi Pllana worked with the technical team, USAID, and the Chemonics home office to complete a draft PBMS, appended to this work plan. Mr. Pllana gathered baseline and target values for the performance indicators. Data entry sheets have been set up, and the technical team has received training in operation of the PBMS. Each quarter, KCBS will report on progress toward expected results, using the performance indicators as measurement tools.

Resources. KCBS technical assistance, USAID monitoring and evaluation advisors, Chemonics home-office performance management specialist.

C. Communications

Strategy. We developed our communications strategy in accordance with the Year 1 work plan and by discussions with USAID on the mission's communication vision, goals, and objectives for the KCBS project. Our strategy rests on four principles: soliciting stakeholder input, developing core messages, disseminating messages to target audiences through the most influential communication channels, and inviting feedback. A detailed discussion of these principles, plans for their application, and a matrix of specific tasks, resources, and timing can be found in our detailed communications strategy.

Our communications strategy supports project implementation, USAID's reporting needs, and USAID's outreach efforts.

- *Implementation.* We have integrated communications into each work plan component and provided short-term and home-office support for individual tasks as appropriate.
- *Reporting.* We have provided our technical staff with guidelines for developing high-quality project deliverables that capture success and impact. Our practical, attractive formats comply with USAID standards for communications products.
- *Outreach.* We have incorporated USAID guidance on terminology, media relations, and event planning into guidelines and briefed staff on the importance of compliance. We will provide regular, high-quality input for USAID/Kosovo's external and internal communication vehicles and USAID/Washington's success story initiative. During the year, KCBS cluster team leaders will collect stories and photographs of their work and recommend the most significant for publication. The KCBS communications team will incorporate these in monthly press releases, quarterly success stories, occasional newspaper articles, and regular contributions to USAID publications (Admin Weekly, E-

News, UNMIK Quarterly). The team will organize occasional mini-events with USAID participation and cooperate with USAID in planning and arranging for U.S. VIP site visits. KCBS will set up a Web site for the program and ensure it is maintained with up-to-date information.

Activities. We have planned a range of activities in three categories to support project implementation:

- *Information dissemination* through news releases, press kits, fact sheets, brochures, and a project Web site.
- *Media outreach* through journalist briefings, news conferences, and site visits.
- *Consensus-building* through outreach to target groups, policy maker briefings, and communications training for associations.

Resources. KCBS communications specialist Xheraldina Rexhepi will be responsible for most day-to-day activities. Chemonics home-office communications advisor Karen Byrne will support communications planning and project reporting. We will engage short-term technical assistance for major efforts such as the Made In Kosovo branding campaigns for different products.

D. Project Administration

To ensure and support contract compliance and effective contract administration, Chemonics has developed and assigned a home-office project management unit (PMU) to provide support to KCBS. This unit comprises a project supervisor who works closely with the field-based chief of party on all aspects of contract management; two project administrators who liaise directly with field-office operations management to provide administrative and logistical support; and an assistant project administrator. Chemonics is committed to supporting KCBS's ability to achieve results on schedule, within budget, and in compliance with all applicable rules and regulations. The Chemonics PMU is not a direct cost to KCBS except where specific field assignments have been pre-approved by the CTO.

Strategy. The home-office PMU and KCBS field team, under the direction of the chief of party, work effectively to provide seamless support to start-up and smooth implementation of offices and systems, including all financial and contract reporting.

Activities. The PMU and KCBS field administrative and management staff work together to set up effective systems for contract management, including a policy and procedures manual that provides code-of-conduct guidelines for KCBS staff. The PMU assures that all contractually required reports are prepared properly and submitted to USAID on time. The PMU, in conjunction with the chief of party, will also conduct an annual performance evaluation of staff in September 2005.

Resources. KCBS chief of party, administrative staff, home-office PMU.

A. Strategic Activities Fund

No.	Description	Responsible	Resources	Partner	Milestone	Completion by
1.	Train local SAF Manager in grants administration policies	Laura Harrington	7 days STTA		Grants management policy handbook issued	February 2005
2.	Negotiate subcontract to collect baseline data and carry out preparatory work for policy index	Chelsea Heffernan	Subcontract	Subcontractor	Policy roundtable; Surveys conducted; Baseline data gathered	January 2005 (activities through March 2005)
3.	Draft grants manual	Laura Harrington Douglas Petrie	14 days STTA		Grants manual completed	February 2005
4.	Draft first RFA for first grant award	Skender Rama Douglas Petrie	LTTA 7 days STTA		RFA template drafted	February 2005
5.	Identify existing projects that require continued grants support	Skender Rama	LTTA	Local NGOs, universities, institutes,	List of potential grantees and projects compiled	February 2005
6.	Host conference for potential grantees to explain policies and procedures	Skender Rama	LTTA	Local NGOs, universities, institutes,	Conference held	March 2005
7.	Make first small grant award (e.g., enhance food safety testing)	Skender Rama	LTTA	USAID	Grant awarded	April 2005
8.	Organize second round of RFAs	Skender Rama	LTTA	USAID	RFA drafted and released	June 2005

B. Performance-based Management System

No.	Description	Responsible	Resources	Partner	Milestone	Completion by
1.	Gather performance baseline data and complete data quality assessment of data sources	Nazmi Pllana	LTTA	All cluster teams	Baseline data gathered; DQAs prepared	February 2005
2.	Establish a performance information database to track company and association performance	Nazmi Pllana Ilir Doci	LTTA	All cluster teams	Database established	February 2005
3.	Train performance management specialist	Nazmi Pllana	Expenses for travel to Chemonics HO	Chemonics home office	PMP seminar conducted	March 2005
4.	Review and possibly revise performance indicators and targets	Kevin Covert	7 days STTA	Business associations, MOTI, MOEF	Indicators and targets updated	March 2005
5.	Assist World Bank team to add Kosovo to policy index, Doing Business 2006	Nazmi Pllana	LTTA Subcontract	Riinvest; AmCham; AKB, AKA	Kosovo included in Doing Business 2006	March 2005
6.	Train business associations and other partners in database operations and data quality procedures	Nazmi Pllana Ilir Doci	LTTA	Business associations, MOTI, MOEF	Training conducted	April 2005
7.	Conduct consumer preferences survey to quantify product demand	Nazmi Pllana	Subcontract	Subcontractor	Consumer preferences surveyed	June 2005
8.	Submit monthly and quarterly performance reports to USAID	Nazmi Pllana	LTTA	USAID	Reports submitted monthly	Ongoing

C. Communications Activities

No.	Description	Responsible	Resources	Partner	Milestone	Completion by
1.	Draft KCBS communications strategy	Karen Byrne Xheraldina Rexhepi	12 days STTA	USAID, business associations	Communications strategy issued to USAID	February 2005
2.	Establish and manage KCBS Web site	Xheraldina Rexhepi	LTTA	KCBS team	KCBS Web site	February 2005
3.	Prepare PowerPoint presentation on KCBS approach, activities, and expected results	Karen Byrne	3 days STTA	USAID, business associations	PowerPoint presentation released	February 2005
4.	Develop and disseminate monthly news releases and occasional feature articles	Xheraldina Rexhepi	LTTA	USAID, KCBS team	Monthly news releases Features	Jan.-Dec. 2005 Per work plan
5.	Develop and disseminate quarterly success stories	Karen Byrne	12 days STTA	KCBS team	Quarterly success stories	March/June/ September/ December 2005
6.	Contribute to USAID publications	Xheraldina Rexhepi	LTTA	USAID, KCBS team	E-News, Admin Weekly, UNMIK quarterly	Per schedule
7.	Conduct USAID VIP site visits	Xheraldina Rexhepi	LTTA	KCBS team	VIP site visits	On request
8.	Organize mini-events with USAID participation	Xheraldina Rexhepi	LTTA	KCBS team	Mini-events	As available
9.	Project implementation support: <ul style="list-style-type: none"> • Partner communication strategies & training • “Made In Kosovo” campaign • Event support • Journalist briefings & site visits 	<ul style="list-style-type: none"> • X. Rexhepi • STTA & survey • X. Rexhepi • X. Rexhepi 		KCBS team, business associations, USAID, EAR/IMC Consulting	Per work plan	Per work plan



KOSOVO CLUSTER AND BUSINESS SUPPORT PROJECT

YEAR 1 WORK PLAN

October 1, 2004 – September 30, 2005

Contract #AFP-I-00-03-00030-00, TO# 800

Submitted to:
USAID/Kosovo
Cognizant Technical Officer: Timothy Hammann

Submitted by:
Chemonics International Inc.

With:
Crimson Capital Corporation Inc.
The International Center for Soil Fertility and Agricultural Development
The Services Group

Originally submitted: November 30, 2004
REVISED: January 31, 2005
Amendment No. 01 dated May 31, 2005

REVISIONS TO WORK PLAN FOR FRUITS AND VEGETABLES CLUSTER

B.3. The Fruits and Vegetables Cluster

Approach

Led by Matt Tokar, the fruits and vegetables cluster team in the first year will address the following issues:

- Producers are ill-informed about current market demands and do not have the information and assistance required to gauge and project the demands of the market
- Processors do not create value added products sought by the domestic and regional market place using domestic raw materials
- Relationships between producers and processors are poor and characterized by a lack of knowledge of the constraints facing each party
- Fruit associations lack unity and a clear sense of mission

Revisions to the Fruits and Vegetables Cluster Work Plan after Eight Months

After the delayed appointment of a Cluster Leader, the team held a review of what was achievable in the first year, taking note of the current state of the cluster as had become apparent in the preceding six months. In essence, the revised Work Plan allows for more concentration on developing market linkages, and establishing contracts between producers and processors; and more hands-on assistance to processors in the installation of additional processing [drying and packaging] equipment.

Identify profitable fruit and vegetable varieties given current market realities. Fundamental to the free-market success of the fruit and vegetable production sector in Kosovo is that producers produce what the market demands and have the information and assistance required to gauge and project the demands of the market. Farmers currently lack accurate data about produce prices and imports price competition in Kosovo. The KCBS project will create and disseminate market research in collaboration with the agricultural faculty of the University of Prishtina. This information will include domestic market prices from four cities, and prices for imported goods for KCBS targeted crops.

Assist targeted processors in identifying and moving ahead with production of value-added products that profitably and strategically challenge imports. Processors must create value-added products sought by the domestic and regional marketplace and involving domestic raw materials. To assist the processors in their decisions regarding the most profitable products to market domestically and regionally, KCBS will conduct regional study tours, and create country entry reports outlining the major player and perceived market opportunities by fruit and vegetable subsectors in each country. Domestically KCBS will work with processors to hone business plans and conduct cost-benefits analyses for the procurement of scale-appropriate processing facilities.

Foster a positive working relationship between producers and the larger market chain through facilitation of contract growing agreements. Vertical market chain relationships between producers and processors are poor and characterized by a lack of knowledge of the constraints facing each party. To bridge the frequent divide between producers and processors, KCBS will host meetings between disparate sections of the fruit and vegetable market chain (e.g. producers, processors, distributors, retailers/wholesalers) in order to maximize productive interactions between identified enterprises in each link of that chain. These market information gathering and dissemination activities will serve to further the goal of fostering positive interactions between producers and processors while paving the way for contract growing arrangements.

Unite regional fruit associations. Horizontal relationships within individual links in the market chain need to be broadened and deepened. In order to increase the ability of fruit associations in Kosovo to bargain collectively, to advocate effectively for government assistance, to share best practices, and to assert their presence in domestic and regional markets, the KCBS project will promote the unification of Kosovo regional fruit associations. KCBS will provide assistance in methods of unification and workshops in service of this objective as requested by a plurality of present regional fruit associations.

Results:

1. *At least 4 new Kosovo produced varieties of vegetables introduced to meet the specific demand of processors and compete successfully with imports*
2. *New processing equipment installed in at least one major processing company and complete Implementation plans for 3 new value-added products produced by Kosovo processing companies*
3. *At least 4 forward purchase contracts between domestic producers and processors or wholesalers*
4. *A united Kosovo fruit growers associations with developed strategic plans for sustainable representation of all growers*

FRUITS AND VEGETABLES CLUSTER

No.	Description	Responsible	Resources	Partner	Milestone	Completion by
1.1	Establish current cost of fresh market fruit & vegetables sold in Prishtina, Prizren, Peja and Gjilani	Reshat Ajvazaj	LTTA	Agricultural Faculty of Prishtina University, Retail/Wholesalers	Information regularly distributed to farmers groups and associations, other projects in the region and anchor firms	March 2005
1.2	Initiate test plots for identified crops e.g., tomatoes, potatoes, onion, and strawberries.	Muhamet Disha Reshat Ajvazaj Skender Rama	LTTA	NGOs Agric. Faculty Peja institute	Test plot results collated and disseminated	Begun by April, completed by October 2005
1.3	Training on grading, post harvest handling	Matt Tokar	LTTA	Agricultural Faculty	Grading standards disseminated	October 2005
1.4	Create 3 growing proposals from processors, retailer/wholesalers, or traders to producers	Muhamet Disha Reshat Ajvazaj	STTA	Abi & Elif Elkos Agromarket	Growing proposals completed	Begun in June, completed by November 2005
1.5	Packaging improvements in 3 varieties of local fruits and vegetables	Muhamet Disha Reshat Ajvazaj	STTA and LTTA	Anadrini Pema	Improving quality of final product packaging	Begun in August and completed in September of 2005
1.6	Eurogap training and introduction	Muhamet Disha Reshat Ajvazaj	STTA	Agricultural Faculty Processing companies Associations Growers Groups	Trainings concluded and information disseminated	November 2005
1.7	Regional visits to other producer associations (Greece and Croatia tentatively scheduled)	Muhamet Disha Reshat Ajvazaj	LTTA	Anadrini Pema UVB	Visits conducted and results shared with association members	Begun in September and concluded by October 2005
2.1	Market entry reports for 3 new value added products	Muhamet Disha Reshat Ajvazaj	STTA	Pestova Abi & Elif	Market Entry Reports completed	Begun in August and concluded

FRUITS AND VEGETABLES CLUSTER

No.	Description	Responsible	Resources	Partner	Milestone	Completion by
						by November 2005
2.2	3 cost benefits analysis for targeted processors to evaluate new processing equipment procurement and possible financing	Muhamet Disha Reshat Ajvazaj	STTA	Agroalbi Pestova Abi & Elif	Cost benefits analysis completed	September 2005
2.3	Assist Agro Albi to set up industrial drying facilities	Muhamet Disha Reshat Ajvazaj	STTA	Agroalbi	New facilities procured and installed	Begun in August and concluded in September 2005
2.4	HACCP training and implementation	Muhamet Disha Reshat Ajvazaj	LTTA	Pema, Elkos, Farmers Associations, Processors, wholesalers	Training concluded and companies adopting HACCP practices	September 2005
3.1	Create 4 contract growing agreements between producer groups and wholesalers.	Muhamet Disha Reshat Ajvazaj	LTTA	Pema, Elkos, Farmers Associations, Processors, wholesalers	Contract fulfilled	November 2005
3.3	Visit Bosnia LAMP project	Muhamet Disha	LTTA	LAMP	Trip conducted	September 2005
3.4	Visit 2 regional trade fairs (Novi Sad and Zagreb) with client companies.	Muhamet Disha Reshat Ajvazaj Skender Rama	LTTA	Business associations (Anadrini, Perdrini, Pema), Progres.	New linkages created and new approaches to the markets	June 2005
4.1	Technical assistance in marketing for associations	Rick Sullivan Muhamet Disha Reshat Aiyazai	STTA	Fruit and Vegetable Associations	Identify export and import substitution opportunities	Begun in May and concluded in December 2005

FRUITS AND VEGETABLES CLUSTER

No.	Description	Responsible	Resources	Partner	Milestone	Completion by
4.2	Promotion and capacity building of a national union of Fruit Growers , and development of strategic plans	Muhamet Disha Reshat Ajvazaj Mentor Thaqi	LTTA	Fruit associations Minist.of Agriculture	Association formed and registered with UNMIK	October 2005
4.3	Establish a ‘Produced in Kosovo’ brand for specific products, distributed in Local Market relating to fruit growers	Muhamet Disha Reshat Ajvazaj Xheraldina Rexhepi	STTA	Business associations	Made in Kosovo brand established	August 2005

REVISIONS TO WORK PLAN FOR GENERAL BUSINESS SERVICES AND ASSOCIATION DEVELOPMENT

C. IR 1.3.2 Improved Business Operating Environment

Approach

Led by Rick O'Sullivan, the Business Services Support Team in the first year will address the following issues:

- Many policy reforms have been proposed in numerous reports; these need to be prioritized for action
- Demands for business support services are many; the infrastructure to nurture these services needs to be developed
- Existing associations and business support organizations, and others yet to be formed, need to be institutionally strengthened
- Few businesses perceive a value for business services; a demand-driven approach to the industry has to be introduced
- Contacts and negotiations between buyers and producers need facilitating
- Credit and financial services for enterprises in targeted clusters need to be more accessible and the procedures simplified

Review of the Business Operating Environment after Eight Months

Several factors have led to a near complete overhaul of the work plan for the General Business Service and Association Development (GBS) activities in KCBS. Among these were:

- Changing priorities based on the findings of the *Constraint Study*;
- Change in timing and resource requirements following the assessment of the association sector and its ability to adapt to self-sustaining business models;
- A better appreciation of past association development activities that focused on exclusively on advocacy and ignored associations' role in *replacing* government;
- Discovering a near complete lack of credible, detailed public data on the clusters and their markets;
- A better understanding of the impact of donor activity on the business services market and traditional association services;

- An expanded role for the Private-Public Dialog.

In addition we discovered that, ironically, the success of KBS in providing services directly to firms now encourages cluster firms and their associations to turn to KCBS to provide services directly instead of allowing us to assist the associations to develop the capacity themselves.

Revisions to Work Plan Activities

All of these factors have led to adding a number of activities not in the initial plan such as:

- Development of DCA activity,
- Sponsoring a finance fair,
- Creating a donor roundtable to coordinate activities,
- Training for associations as collectors and disseminators of industry statistics,
- Creation of a rapid response capability, in coordination with the LGI project, to counter legislation that could undermine the entire civil society sector.

The Scenario Process, originally intended to assist only association boards and KCBS staff in developing more proactive, demand-driven organizations and activities will now serve as the “diving board” for the Public-Private Dialog.

Similarly other activities have been eliminated including a Credit Demand Survey, an assessment of trade flows, developing micro-finance products, and educating bank officers on alternative lending practices. (A reenergized Kosovo Bankers Association will undertake the last of these.) In addition, the inability of SCAAK to make any progress to develop a pilot for new accounting training curriculum has led KCBS to question its importance to the overall objectives of the project and continued investment in the activity.

Our findings also led to a reevaluation of the grants process for association development. Far more resources need to be committed to training associations to act independently of the government, and to convince them to move away from project-centric donor support to multi-year planning funded through fee-for-service activities. In fact, instead of embracing an opportunity to increase their revenues through fee-for-service activities, associations are extremely resistant to trying to make money on activities and events. They also are completely ignorant of the need to market the association and develop communications skills to promote their activities to the general public and even to their own members.

We have also concluded that, in addition to nurturing fledging associations, we must design the grants process to foster the development of association management firms. Therefore, in addition to training associations how to execute a proposal bidding process, we will need to help business service providers respond to the RFPs.

Results

1. Administrative and policy constraints to business growth identified, quantified, and publicized.
2. Consensus on immediate priority policy reforms reached and action plan endorsed by business and government leaders.
3. Leading business associations improve operational efficiency, cost recovery, member services, outreach, marketing, and regional cooperation.
4. Forum established for promoting business-government dialogue
5. At least four existing Associations have self-sustaining business models in place
6. With KCBS support, American Chamber of Commerce attracts at least 1 foreign company to invest in Kosovo.
7. Business advisors trained in identifying market opportunities and acting as market brokers.

C1. BUSINESS CONSTRAINTS						
No.	Description	Responsible	Resources	Partner	Milestone	Completion by
1.	Conduct detailed review of administrative barriers to business	Tom Jersild Art Dimas	24 days STTA	UNMIK, PISG, EAR AmCham	Constraints study issued to USAID	March 2005
2.	Work with AKA to define new VAT exemption for imported livestock feed and its effect on feed milling sector	Mentor Thaqi	LTTA 14 days STTA	AKA	VAT exemption analysis completed	July 2005
3.	Finance Fair	Naim Avdiu	5 days Michael Gold	Kosovo Bankers Association	Fair held	September 2005
4.	Harmonize Minority financial record keeping practices	Bane Dimitrejevic	Local BSP	SCAAK	Workshops held on Yugoslav/Kosovo financial practices	August 2005

C1. BUSINESS CONSTRAINTS						
No.	Description	Responsible	Resources	Partner	Milestone	Completion by
5.	Public-Private Dialog	Rick O'Sullivan	LTTA	UNMIK, PISG, EAR, AmCham, AKB, AKA, local consultant	Opening event June. Standing Committee formed and funded August.	Revisit Event September 2005
6.	Publish and disseminate results of business-government roundtable	Xheraldina Rexhepi	LTTA	USAID, local media	Press conference held; press release	June 2005
7.	Coordinate with World Bank to add Kosovo to the Doing Business 2006 index of barriers to business	Rick O'Sullivan	Local Subcontract	Local contractor	Negotiations with World Bank to include Kosovo in "Doing Business 2006" completed, local partner identified	June 2005 to KCBS July – published by World Bank
8.	DCA Grant Application	Michael Gold	21 days STTA	KBA, Raiffeisen	Application submitted	September 2005
9.	Gender Issues	Vesna Golubovic	Local Subcontract	SHE-ERA	White Paper drafted	July 2005

C2. BUSINESS ASSOCIATIONS						
No.	Description	Responsible	Resources	Partner	Milestone	Completion by
1.	Assess strengths and weaknesses of leading business associations. Review financial reporting, business planning, pricing, and information technology practices.	Rick O'Sullivan Mentor Thaqi Safo Musta	LTTA	KDC, AmCham, AKB, AKA	SWOT analyses completed	January 2005

C2. BUSINESS ASSOCIATIONS

No.	Description	Responsible	Resources	Partner	Milestone	Completion by
2.	Reach out to women's business associations and help link them to other business associations	Rick O'Sullivan Mentor Thaqi Safo Musta	LTТА	Women's business associations, KDC, VITA	Women's associations linked with AmCham & AKB	September 2005
3.	Support AmCham business and marketing strategy to attract investment	Rick O'Sullivan	Local Subcontract	AmCham	Kosovo's replication of World Bank's "Investment Climate Index"	September 2005
4.	Introduce cost-based business planning methods to key associations and mentoring of executive directors	Rick O'Sullivan Susan Burton	STTA 18days Susan Burton	RCAK; SHPUK; KAMP; AWPК; AKA	Business plans with revenue forecasts written for at least 3 associations	April 2005
5.	Engage in Discussions on Macedonian Free Trade Agreement (FTA)	Rick O'Sullivan, Mentor Thaqi Safo Musta	LTТА	KDC, AKB, AKA, MTI, Macedonian counterparts	Open forum held to review impact of FTA on cluster sectors	April 2005
6.	Lead study tour to Montenegro to improve advocacy and coalition-building skills	Rick O'Sullivan, Mentor Thaqi	Expenses for travel, logistics, etc.	Montenegro Business Alliance	Study Tour completed	July 2005
7.	Develop strategic plans – including advocacy and gender plans – for leading associations	Bruce Butterfield	3 days STTA	Associations selected in C.2.4 above	Draft strategic plans prepared	May 2005

C2. BUSINESS ASSOCIATIONS

No.	Description	Responsible	Resources	Partner	Milestone	Completion by
7.1	First Round: Grant Award and Assoc. staffing activities	Rick O'Sullivan Mentor Thaqi Safo Musta Skender Rama	24 days STTA Susan Burton	Associations selected in C.2.4	Three grants awarded	July 2005
7.2	Second Round: Grant Award and Assoc. staffing activities	Rick O'Sullivan Mentor Thaqi Safo Musta Skender Rama	18 days STTA Susan Burton	Associations selected in C.2.4	Four grants awarded	September 2005
8.	Identify type and cost of services that the associations should be providing to their members to enable them to better serve their customers	Susan Burton Jack Cox	24 days STTA	AmCham, AKA, AKB	Fee-for-service products developed	April 2005
9.	Determine contribution KCBS can realistically make to strengthening institutions in enforcing standards in a self-sustaining, transparent fashion.	Rick O'Sullivan Mentor Thaqi Safo Musta	24 days STTA Expert in Certification Programs	Kosovo Standardization Agency, MoTI, EAR, associations	Standards Road map for each Association	October 2005
10.	Deliver marketing assistance to leading associations	Jack Cox	12 days STTA	AmCham, AKA, AKB	Marketing, communications plans in place	April 2005
11.	Educate Associations and Businesses on Environmental Scanning process and Scenario planning for key associations	Rick O'Sullivan,	24 days STTA Bruce Butterfield	KDC, AKA, AKB, Chambers, AmCham members	Scenario workshops completed; environmental scan system designed	October 2005
12.	Support associations to promote and self-regulate standards among service providers	Rick O'Sullivan Mentor Thaqi Safo Musta	LTTA	AKA, AKB, RCAF, SHPUK, KAMP, KDA	Standards understood, barriers identified, enforcement strategies developed	October 2005

C2. BUSINESS ASSOCIATIONS

No.	Description	Responsible	Resources	Partner	Milestone	Completion by
13.	Conduct business training seminar for women business leaders in strategic planning and marketing and in access to capital and financial management	Rick O'Sullivan Safo Musta Vesna Golubovic	5 days STTA, Subcontract, USAID D&G	Women's business associations	Seminar held – coincident with Finance Fair	September 2005
14.	Prepare association leaders for trade shows, including competitive intelligence techniques	Rick O'Sullivan	LTTA, 12 days STTA	AmCham, AKA, AKB	Participants for three trade shows targeted, and registered; arrangements prepared	August 2005
15.	Sponsor participation of Kosovo business associations in 2005 South East Europe Associations of Fruit and Vegetable Processors in Albania	Rick O'Sullivan	Grant	Potential grantee: local fruit and vegetable associations such as Anadrini, AKA	Fruit and vegetable association conference attended	December 2005
16.	Review of tax and registration rules governing NGOs	Rick O'Sullivan Safo Musta	STTA Leon Irish	Associations	White Paper published	August 2005
17.	Assist associations to recruit women leaders and members	Rick O'Sullivan Safo Musta	LTTA	DC, AmCham, AKA, AKB	Women in leadership positions at associations	Ongoing

C3. BUSINESS SUPPORT SERVICES

No.	Description	Responsible	Resources	Partner	Milestone	Completion by
1.	Identify and publish barriers to business (FDI, trade)	Rick O'Sullivan Xheraldina Rexhepi, Vesna Golubovic, Bane Dimitrijevic	LTTA	Leading business associations; media organizations, AmCham	Articles published; dialogue enhanced	May 2005

C3. BUSINESS SUPPORT SERVICES

No.	Description	Responsible	Resources	Partner	Milestone	Completion by
2.	Survey credit providers and collect data on loan terms and conditions, reasons for loan rejections	Michael Gold Naim Avdiu Vesna Golubovic	12 days STTA LTТА	Commercial banks, MFIs	Credit supply survey completed	June 2005
3.	Inventory business service providers	Branimir Dmitrijevic Qazim Pirana	LTТА	Business service providers	Inventory completed	May 2005
4.	Assess market demand for consulting services, evaluate pricing strategies, and conduct a SWOT analysis of leading business service markets	Branimir Dmitrijevic Qazim Pirana	STТА	Business service providers	SWOT analyses completed	July 2005
5.	Upgrade and certify accounting training material; define and meet need for audit requirements depending on region	Vesna Golubovic, Naim Avdiu	LTТА	SCAAK, SRRS, IEKA (SCAAK's Serbia's/Albania's counterparts)	Business plan for upgrading financial training materials	July 2005
6.	Develop Association Management firms	Rick O'Sullivan Naim Avdiu	18 days STТА Wendy Scott? LTТА	Numerous BSPs	Successful bidders on RFPs put out by Associations	July 2005 and Ongoing
7.	Deliver pilot for new accounting training curriculum	Vesna Golubovic, Naim Avdiu	LTТА	SCAAK, SRRS, IEKA	First two courses for middle management of new curriculum delivered	October2005
8.	Work with BPK to improve collateral issues. Educate bank loan officers, regulators, and other government officials on modern loan approval practices to reduce barriers to capital.	Michael Gold; Vesna Golubovic	2 days STТА	BPK, Raiffeisen Bank	Workshop held on lending practices incl. alternatives to collateral such as insuring loans and business plan and financial performance reviews	September2005



KOSOVO CLUSTER AND BUSINESS SUPPORT PROJECT

PERFORMANCE-BASED MANAGEMENT SYSTEM

Contract #AFP-I-00-03-00030-00, TO# 800

Submitted to:
USAID/Kosovo
Cognizant Technical Officer: Timothy Hammann

Submitted by:
Chemonics International Inc.

With:
Crimson Capital Corporation Inc.
The International Center for Soil Fertility and Agricultural Development
The Services Group

Originally submitted: November 29, 2004
REVISED: February 18, 2005

SECTION I

Introduction

A. Program Description

Kosovo Cluster and Business Support (KCBS) program seeks to expand the competitiveness of targeted clusters by promoting private sector-driven market initiatives, increasing institutional capacity for competitiveness, structuring a results-oriented, sustainable public-private competitiveness dialogue and supporting development of an enabling environment for broad-based economic growth through expanded trade.

Initially, KCBS will look at formation of business-driven economic clusters in the livestock (dairy-beef-poultry-feed), fruits and vegetables, and construction materials industries. The KCBS program builds on previous USAID-sponsored work performed under the Kosovo Business Support activity and supports USAID-funded activities implemented by Bearing Point, RTI International and others.

The overarching goal of KCBS program is accelerated private sector growth. To achieve this goal, KCBS works through two intermediate results:

- Increased Competitiveness of Targeted Clusters
- Improved Business Operating Environment

The KCBS program is focused on the creation of new sustainable jobs. This is achieved by promoting increased growth and competitiveness among enterprises in the targeted clusters, and growth and expansion of the clusters. Within each target cluster, KCBS business development advisors will initially work wherever there are opportunities to expand sales and jobs.

KCBS also seeks to increase the capacity of enterprises to conduct business and help make the policy environment more conducive to business growth. By applying proven market-driven approaches that will strengthen the competitiveness of enterprises and target clusters, KCBS will accelerate the creation of sustainable jobs, the growth of enterprise sales, financing and investments, and hasten the formation and emergence of strong industry clusters. This results-oriented, market-driven focus also will stimulate public sector reforms and investments to enhance the enabling environment for business.

Rapidly growing sales lead to accelerated job creation and increased access to short- and long-term financing and investment resources. Increasing numbers of rapidly growing enterprises in a target industry stimulates, from the bottom-up, formation and emergence of industry clusters. Competitive industry clusters offer tremendous advantages to firms, industries, and Kosovo business in general, in terms of expanding international market linkages, increasing productivity, and accelerating export sales. Rapidly growing enterprises and industry clusters also spur real demand for effective, quality business development services, thus enhancing the viability of the services sector.

KCBS will assist industry cluster organizational partners, such as associations, think tanks, universities, workforce organizations, and government agencies, to support the emergence of competitive industry clusters. They will assist emerging cluster working groups, as well as specific organizational partners, in developing and implementing strategic plans, action plans, increasing operating revenues, forging effective linkages among enterprises and other industry cluster partners, and fostering increased government commitment to each industry cluster. The cluster strategy is implemented through an action plan, which defines the roles of various actors and sets forth targets, activities and timelines.

The stages KCBS will pass through in developing Kosovo Competitiveness are elaborated in the table of Annex A.

B. Performance Management

Monitoring progress and evaluating results are key management functions in any performance-based management system. Performance monitoring is an on-going process that allows managers to determine whether or not a program or activity is making progress towards its intended results. Performance information plays a critical role in planning and managing decisions. The strength of a performance-based management system (PBMS) lies in its ability to provide performance information that is used to manage for results and to improve project performance.

Evaluation is the periodic assessment of a project's relevance, performance, efficiency, and impact—both expected and unexpected—in relation to stated objectives. Evaluation helps to identify effects that are attributable to the program.

This document presents the KCBS PBMS that will provide the foundation for tracking the project's delivery of expected results and quantitative impacts to measure progress. It supports USAID/Kosovo's performance management needs by providing input to the mission's strategic objective (SO) 1.3 and associated intermediate result (IR) indicators.

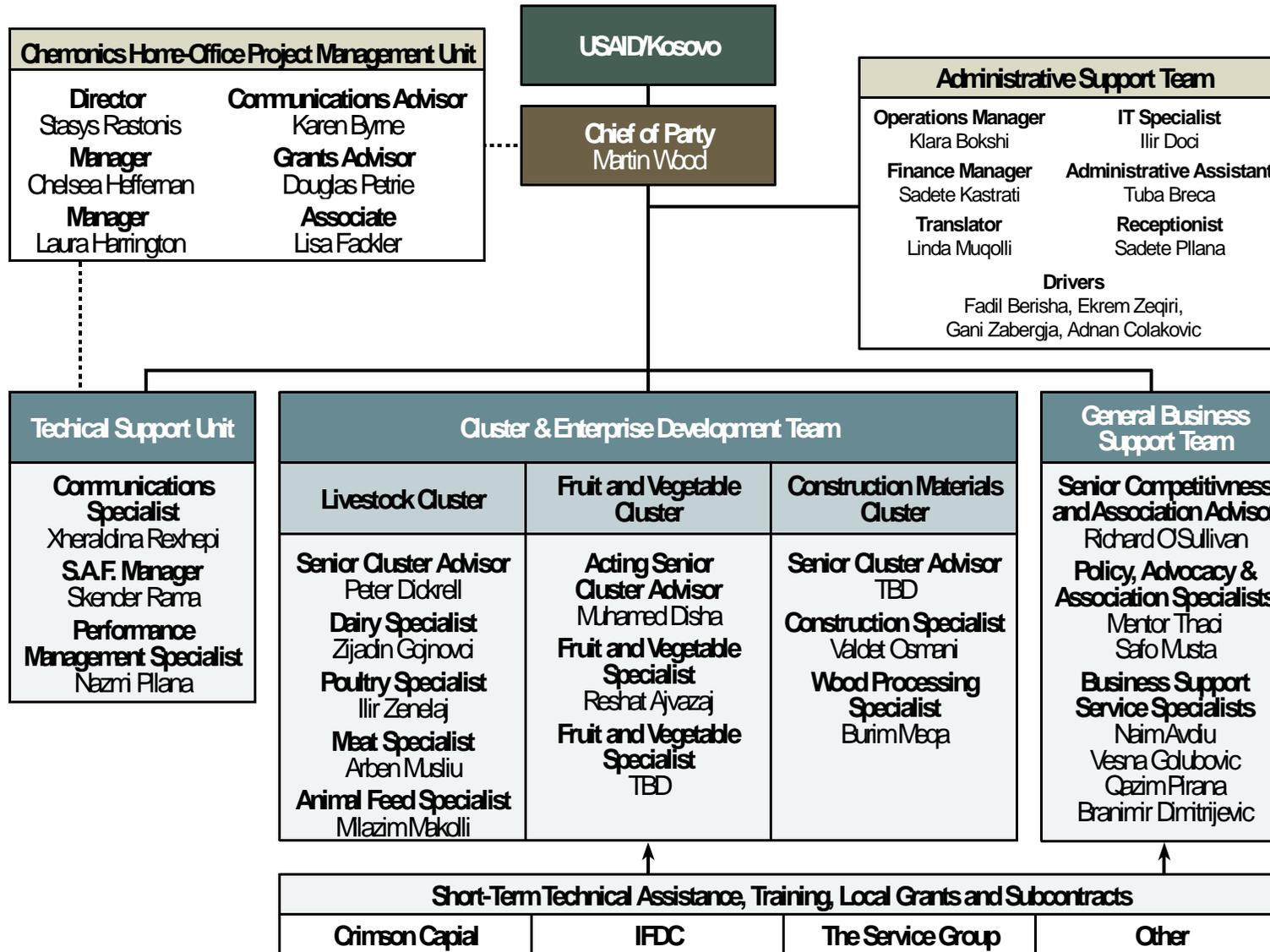
The overall goal of this system is to establish a means of providing critical information for decision-makers to assist them in guiding implementation of project activities towards attainment of project objectives. This goal recognizes that specific elements of the implementation program may require adjustment to respond to evolving conditions either within or external to the project. Hence, the system is a management tool for systematically reviewing project progress, troubleshooting problems and issues during project implementation, and assessing areas where project activities may need to be refocused to ensure plans, schedules, and assignments remain current. Also, where there are real successes or new opportunities beyond what was contemplated, management decisions can be made to channel more resources into these growth areas.

The implementation of the PBMS will involve the entire KCBS technical and management team. This is necessary for several reasons:

- *Efficiency.* KCBS technical specialists and advisors have first-hand knowledge of activities and immediate results in their areas of intervention, and are best suited to collect, supervise the collection of, and verify basic data in their technical areas.
- *Ownership.* The PBMS belongs to the entire team. This will ensure that the set of information generated is relevant and consistent with the interests of the entire team and KCBS partners.
- *Feedback.* Having collected and analyzed performance information, KCBS technical team members will have first-hand information on project progress and will be able to use that information to guide program implementation.

The KCBS Organizational Structure is shown here on Exhibit 1.

Exhibit A. Staffing Plan for Kosovo Cluster & Business Support



SECTION II

Performance Based Management System

A. Developing the System

The users of the PBMS include project staff, partners, collaborators, clients, USAID, as well as the host government. Therefore, establishing an effective performance measurement system requires developing an understanding and agreement among all stakeholders of the project as to what is to be achieved and how performance management will be reviewed. Hence, where appropriate, KCBS will involve stakeholders in the implementation and use of the system and subsequent performance reviews.

PBMS implementation began with the teambuilding workshop in Pristina on November 4-5, 2004, when the KCBS team reached consensus on the project's technical approach. The consensus strategies to achieve each intermediate result were described in detail in the 2005 Work Plan. KCBS team refined its PBMS design throughout November 2004 and took into account USAID/Kosovo's strategic plan. This led to the final draft of the indicators presented in the first draft of the PBMS report dated November 29, 2004.

During January 2005, KCBS continued to search for the most effective approach to enhance enterprise-level competitiveness in Kosovo. This led to the proposed adoption of proven approaches applied on USAID projects in Peru, Paraguay, and most recently Armenia, to facilitate market linkages and accelerate enterprise sales. On these projects, rapidly growing sales led to accelerated job creation and increased access to short- and long-term financing and investment resources. Rapidly growing enterprises and industry clusters also spurred real demand for effective, quality business development services, thus enhancing the viability of the services sector.

The 2005 Work Plan identifies many activities which serve to strengthen the supply side of the clusters e.g implementation of standards, improved productive capacities, assistance with access to credit. Such strengthening is a prerequisite for competent supply, and all these activities will move in parallel with a focused assault on the demand side. But KCBS is convinced that the achievement of USAID's overarching objective will only come through accelerating and increased sales. This will be our focus. Within each target industry, KCBS advisors will initially work wherever there are opportunities to expand sales and jobs. These advisors, in effect, will function as sales agents by communicating buyers' product specifications and delivery schedules, and assisting in negotiating price and contracts to help shape supply to meet demand. KCBS will draw upon local and international experts to provide specialized technical assistance.

By applying proven market-driven approaches that will strengthen the competitiveness of enterprises and target industries, KCBS will accelerate the creation of sustainable jobs, the growth of enterprise sales, financing and investments, and hasten the formation and emergence of strong industry clusters. This results-oriented, market-driven focus also will stimulate public sector reforms and investments to enhance the enabling environment for business.

PBMS monitors progress against program targets, facilitates reporting of results attributable to KCBS efforts, and provides data for reporting to USAID. Most important, it identifies successful enterprise and industry clients, interventions, and consultants, and allows the team to compare projected results to actual results on a monthly, quarterly, and annual basis.

B. Results Framework

The KCBS Results Framework, presented in Exhibit 2, forms the basis for the KCBS approach to implementation of PBMS. The framework provides the guide for organization structure, work planning, and results monitoring.

USAID/Kosovo's strategic objective SO 1.3 — *Accelerated Private Sector Growth* — is the Program goal for KCBS. To achieve this goal, KCBS works towards two intermediate results:

- IR 1.3.1 Increased Competitiveness of Targeted Clusters
- IR 1.3.2 Improved Business Operating Environment

The US Government has obligated USAID to report annually to Congress on its progress towards achieving these results. The Government has specified three indicators against which KCBS must report as a measure of progress. These are:

- Exports as a percentage of imports
- Jobs created within targeted clusters
- Number of companies registered

To help manage activities and results, KCBS has further defined sub-IRs, as shown in the results framework and described in the Work Plan. [It is noted that the 2005 Work Plan was submitted before this PBMS Report was reissued; a changed emphasis in the program approach has led to a reconsideration of the sub-IRs to be monitored]. To capture the impact of KCBS interventions on Kosovo's competitiveness, we have identified a list of life-of-project impact indicators for each project intermediate result. The indicators are designed to:

- Capture major project impacts,
- Supply information concerning major activities undertaken through KCBS technical assistance,
- Provide a picture of implementation progress, and
- Contribute to USAID's own performance management needs.

The KCBS PBMS will collect data and measure the impact of activities directly implemented by KCBS and its partners. This principle of manageable interest ensures that the results reported by the KCBS PBMS are within the project's ability to influence.

KCBS will also monitor certain national production and export statistics for correlation of trends between measurable project impacts and national-level performance.

In this section, we present our approach to performance management, including a discussion of how indicators are selected, collected, stored, analyzed, and results reported.

In Section III, we discuss performance indicators, including definitions, units of measure, collection methods, report frequency, and responsible parties.

C. KCBS Results Indicators

Rather than measuring program effectiveness by quantifying inputs or intermediate outputs, such as trainings, workshops and participants, number of successful advocacy campaigns, number of businesses using local consulting services etc., KCBS will emphasize measuring the program's impact in terms of increasing enterprise- and industry-level competitiveness with 11 key sub-IR indicators. These indicators were selected because they represent accurate, measurable, verifiable

results, which can be attributed to KCBS' efforts and serve to enhance program management.

C.1. KCBS proposes five sub-IR indicators that directly measure enterprise-level competitiveness and which will be reported on a quarterly basis. Measurements will be in terms of:

- increased sales
- increased employment
- level of financing
- level of capital investment
- increased productivity

C.2. KCBS proposes a further three sub-IR indicators that directly measure industry-level competitiveness in terms of development of business associations, which will be reported on a quarterly basis:

- association development through strategic plans
- association viability through revenues generation
- association sustainability through permanent staffing

C.3. In addition, KCBS will also track, on an annual basis, three sub-IR indicators, which capture Kosovo-wide statistics, namely:

- Company profit taxes collected
- Exports as a percentage of imports
- Number of companies registered

C.4. KCBS will also track developments and achievements, though not necessarily in quantified terms, of other indicators in the Results Framework and will report on these on an annual basis. The results will be referenced to the outcomes quantified by the sub-IR indicators of C.1, C.2 and C.3 above. For example, a significant increase in milk sales may be attributable to implementation of new quality standards, or investment in production capacity. However, these two improvements would be valueless unless sales and employment rose. Recording the introduction of quality standards, or new productive capacity, per se, is not a measure of the success of the program. Only successful outcomes consequent to these changes are important.

Annex B of this report includes detailed descriptions of each sub-IR indicator, including definition, unit of measure, desegregation, justification, collection method, data sources, frequency of reporting, responsible parties, and life-of-project [LOP] targets.

D. KCBS Results Targets

As shown in Annex B, we have established LOP targets for the indicators based on best available information at the start of KCBS. The reasonableness of the targets will be verified and ground-truthed during the elaboration of cluster baselines. It may become necessary to revise these LOP targets at the completion of the baseline. Some targets are currently expressed as a range that will be refined when baselines for clusters are completed. Any modifications to LOP targets will be reported with the first annual report submission in October 2005, after which no significant changes in targets are anticipated.

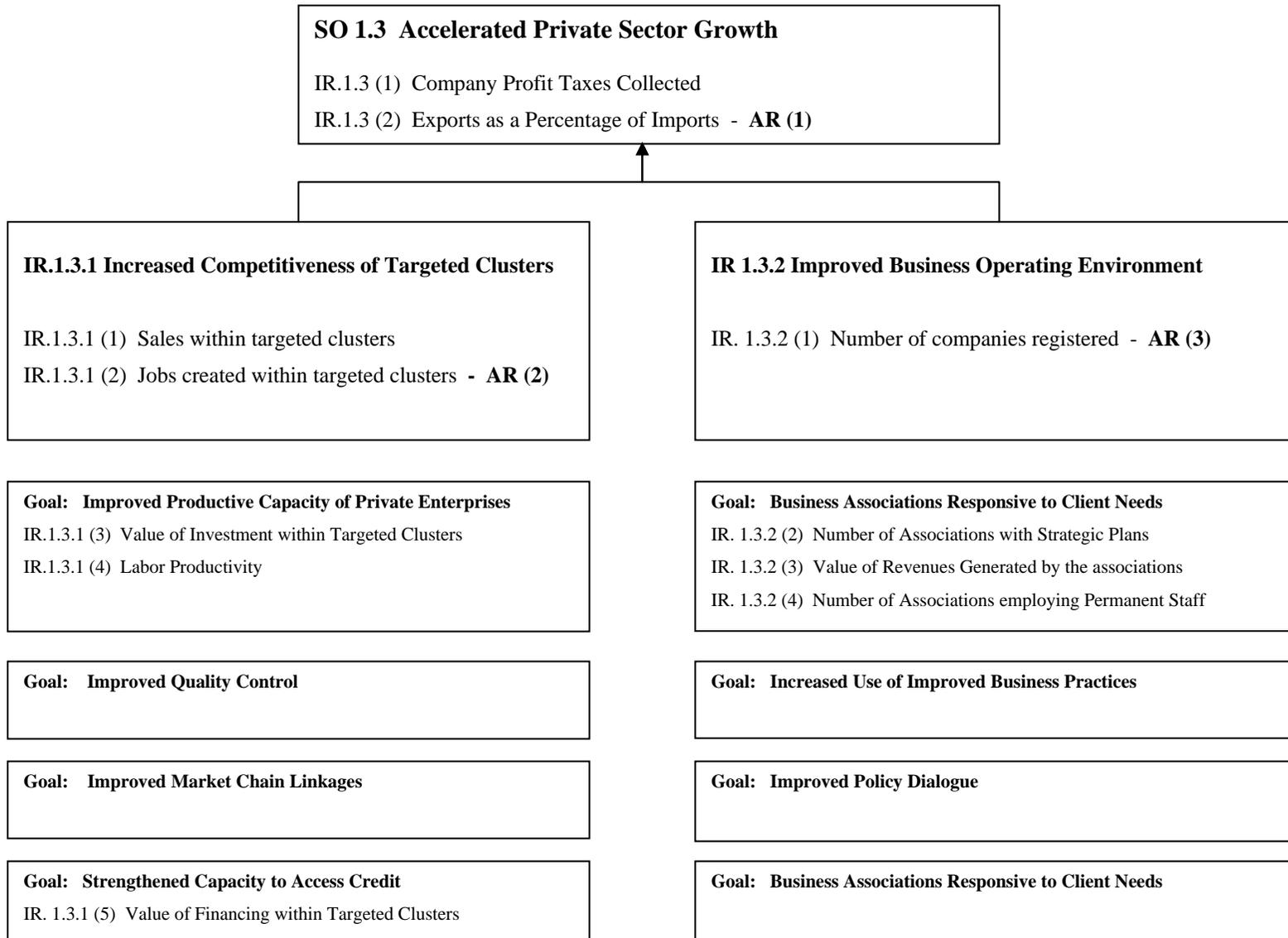
It is important to note that the proposed enterprise-level targets refer to client enterprise results, and will therefore be solid, and their attribution to KCBS activities will be verifiable. Results reported will also be conservative in that they do not take

into account the dynamic multiplier effects that most certainly reach beyond client enterprises and their suppliers. Industry-level results also refer to efforts accomplished by partner organizations in target clusters, so KCBS will verify these impacts directly as well.

Additionally, the indicators as well as the associated life-of-project (LOP) targets are selected based on the following basic assumptions:

- No major agro-climatic shocks to commodity systems where KCBS intervenes; nor are there economic dislocations such as major pest outbreaks, plant diseases, or other epidemics in the commodity groups.
- Absence of socio-political instabilities, including political and civil instabilities.
- General macro-economic stability.
- Ability to gather data in the northern region of Kosovo.
- Ability of business associations to maintain data on their member enterprises.

Exhibit B USAID/KCBS Performance Management Plan



SECTION III

Monitoring and Evaluation Process

A. Key M&E staff.

The KCBS team is organized into four main units—Cluster and Enterprise Development, General Business Support, Technical Support, and Administrative Support (see Exhibit 1). While these units are grouped by functional categories, members from all four units will be involved in all components of the project. This is an integrated approach where team members with different skills come together to work in teams formed around different clusters and different sub-objectives. Consequently all units share responsibilities for maintaining and updating the performance management database.

The three senior cluster advisors will have overall responsibility for results within their respective clusters; the senior competitiveness and association advisor will likewise have responsibility for results within the general business support unit. These senior advisors will oversee PBMS system operations for their respective units and will ensure that data is collected in a timely, consistent and accurate manner. The PBMS Specialist is responsible for assembling input from the various members, synthesizing the indicators from various data elements, and providing overall quality control.

The PBMS Specialist is responsible for Monitoring and Evaluation; he manages the PBMS database, inputs and updates data, and produces reports on project results. This specialist works with the three cluster teams and the business services support team to:

- identify and assist client firms;
- record, store, and verify results data; and
- determine whether results are attributable to project activities.

B. Client Enterprise Business Planning.

When cluster advisors identify a new client enterprise, they develop a business plan with that firm. For enterprises, the business plan is developed on a simple template that identifies the name of the client, type of business, and the product – see Annex C. It further identifies the principle bottlenecks or obstacles to expanding sales and entering new markets, as well as a proposed strategy for overcoming those bottlenecks. In addition, it lays out the commitments of the firm and the KCBS advisor.

The business plan is the central document on which the relationship between the project, the enterprise, and project intervention is based. It diagnoses the client firm's key problems and identifies a strategy for KCBS intervention. The business plan also has implications for the attribution of results in that causality analysis is based largely on the bottlenecks and intervention strategies identified in the business plan.

The KCBS advisor submits the business plan to the PBMS Specialist, to ensure that:

- The bottlenecks identified are the real obstacles hindering the firm's activities;
- The proposed strategy will actually address and remedy those bottlenecks; and
- The proposed activities follow the strategy prescribed in the business plan.

C. Organizational Partner Business Planning.

When KCBS identifies a new organizational partner, specifically a business association, KCBS will jointly work to develop a simpler, but comprehensive, business plan. Using an organizational business plan as the basis for KCBS assistance emphasizes a professional, businesslike approach to improving the performance of organizational partners in each industry cluster and their need to use professional management tools to enhance their productivity and competitiveness. A business plan for each organizational partner ensures that it has clear programmatic and financial objectives and that KCBS assistance is targeted to help each partner achieve specific, measurable goals. KCBS assistance will be spelled out in the business plan and results measured against target improvements.

D. Other indicators for industry competitiveness.

The indicators for cluster strategic development and public sector commitments (reforms and investments) are straightforward. Each depends on results achieved in the key activity areas by cluster working groups and public sector entities, with KCBS assistance - see Annex B for detailed descriptions. They will be monitored directly by industry competitiveness team specialists responsible for each activity area. The component team leader will monitor the overall development of each industry cluster, including implementation of strategic and work plans.

E. Establishing baselines.

Once an enterprise or organizational business plan is approved, the KCBS advisor works with the client or organization to establish baseline data. For enterprises, baseline data is relative to jobs, sales, production, financing, and investments, and each month the business advisor will collect data for monitoring purposes. For partner organizations, this is relative to revenues generated, including those from dues and from services and goods delivered. The KCBS advisor is responsible for entering the baseline data into the KCBS database. The PBMS Specialist reviews this information, assures its quality, and uses it for inclusion in quarterly and annual reports to USAID.

Initial baseline data is recorded for the period just prior to implementation of activities that contribute to achievement of results, enabling comparison when measuring progress toward a specific result or objective. The baseline provides a snapshot of a performance indicator as a point of reference. Baseline data is specific to each product supported. The KCBS advisor, aided by a business services support team member, collects baseline data for jobs, sales, financing, investment, and production for the 12-month period before the first results are recorded. For partner organizations, data will be collected and reported at six-month intervals.

KCBS will utilize a two-page form for recording enterprise baseline data, Annex D, which records general information about the client, product or service, unit of measure, stage in the value chain (production, processing, "commercialization," or other services), and the date the baseline data was recorded. In addition, it captures the value of sales, the volume of production, and the unit price of sales for the specific product or service for each of the preceding 12 months.

F. Reporting Quantitative and Qualitative Enterprise Results.

Once the first attributable enterprise results are achieved, KCBS advisors submit monthly reports to PBMS Specialist for entry into the database. The monthly report is a prepared on a one-page form, Annex E, which records the value of sales for the month, the unit price of sales, the production volume, and the amount of financing and investment by clients and upstream processors during the month. A separate monthly report is submitted for each client, and for each product supported by the

project. This information is preliminary, and results are not reported externally until they are verified.

In addition to the monthly reports, which contain raw sales, production, and investment numbers, KCBS advisors submit quarterly client reports to the PBMS Specialist. Whereas the monthly report includes results and quantifiable data, the quarterly report focuses on processes. The two-page form, Annex F, lists the key problems faced by the enterprise client during the quarter, key actions taken by KCBS, and key results achieved. It also contains the amount spent on technical assistance (e.g., external consultants) for the client during the quarter, any difficulties KCBS had with the client, and planned activities and expected results for the next quarter.

The monthly and quarterly client reports from the business advisors, and semi-annual reports from partner organizations, feed into KCBS reports to USAID. It should be noted that there must be a balance between data collection and technical work. KCBS has designed the system such that it will not become a data collection burden for project staff and partners. Care was taken to eliminate correlated indicators and those that are not indicative of project impact or performance. KCBS will employ appropriate information technology in implementation to ease the burden of data entry and management. Where applicable, KCBS support staff will participate in data collection and entry to relieve technical staff of these tasks. Alternatively, KCBS may subcontract the tasks to a local consultant reporting directly to the PBMS Specialist – see paragraph K. below.

G. Quality Control

The senior cluster advisors are best placed to provide first-order quality control for the various data elements. Upon completion of the data entry spreadsheets, each team will examine the quantitative data to identify common errors including logical inconsistencies, out-of-range values, significant departures from trends, or other errors. Should any problem be identified, the senior cluster advisors are responsible for verifying data against original sources and other forms of verification that may be required, such as cross-verification from alternate data sources. These quality checks shall be performed before data is forwarded to the PBMS Specialist.

H. Database Design.

KCBS will develop a specialized database to track and report results. The database will be a back-end, data entry system used for inputting information and generating reports. It records information about the client enterprises, products or services, the name of the KCBS lead advisor, baseline data, and the monthly figures for jobs, sales, production, financing, and investment. The database will be adapted to meet the specific needs of KCBS, recording and sorting information by client, product, industry, and jobs (gender disaggregated).

I. Data Verification.

The information that is initially entered into the database is considered preliminary. The PBMS Specialist conducts site visits and interviews representatives from the client enterprises and organizational partners to verify the results that have been reported. This includes verifying the accuracy and consistency of the data reported by the business advisors or industry-level specialists, the intervention strategy of KCBS, and the causal relationship between the results and KCBS interventions. Based on these visits, the PBMS Specialist may request clarifications from the business advisor, enterprise client or organizational partner, and may find it necessary to modify information in the database. Any modifications are done with the review and approval of the component team leaders. Once the results have been

verified and any necessary modifications are made, results are considered final. The PBMS Specialist then incorporates the information into the global version of the database and generates final, verified reports.

Since in most cases, KCBS advisors are not expected to have access to the client's financial records, traditional auditing is not anticipated. Rather, the PBMS Specialist verifies results by interviewing the owner or manager or organizational director, and asking a series of questions, such as:

- What kind of support have you received from KCBS?
- What are the problems or obstacles hindering the growth of your business or organization?
- Which problems have you tried to resolve with the help of KCBS?
- How could the support you are receiving be improved?
- What was the value of your enterprise sales or organizational revenues before KCBS intervention and what is their value with KCBS assistance?

The client enterprise or organization provides and confirms sales or revenue figures in writing. The information should be crosschecked. If necessary, data can be confirmed with the buyer, or if products are exported, data can be crosschecked against customs records. After each client or partner visit, the PBMS Specialist reports to the KCBS lead advisor on the individuals and clients and partners visited.

J. Causality and Attribution.

In addition to verifying the accuracy and consistency of the results reported by the KCBS advisor, the PBMS Specialist also must determine whether the results were caused by KCBS's interventions and whether they are attributable to the project. During interviews with clients, the PMBS Specialist documents KCBS's intervention strategy, specific activities undertaken to assist the client or partner, and effects on enterprise sales or organizational revenues, in order to determine causality.

As mentioned above, the determination of causality is based almost entirely on the business plan. The business plan is the key document on which KCBS interventions are based. It is a diagnosis of the client enterprise or organizational partner, identifying the principal bottlenecks hindering a firm's expansion or organization's viability, as well as the KCBS strategy for resolving those bottlenecks. It also lists the commitments and proposed activities of both the client and KCBS. The business plan essentially establishes the parameters and conditions for the attribution of results. First, the bottlenecks it identifies must actually be the principal obstacles to the firm's or organization's expansion. Next, the proposed intervention strategy must actually address and remedy those bottlenecks. Finally, the activities undertaken by KCBS must follow the strategy prescribed in the business plan and contribute to overcoming the bottlenecks.

If KCBS's intervention meets the above criteria — that is, if it follows the strategy laid out in the business plan and contributes to overcoming bottlenecks — the results are attributable. The fact that KCBS does something does not guarantee that positive results can be attributed to the project. For results to be attributable, the KCBS intervention must address and remedy the bottlenecks as defined in the business plan.

It should be noted that the PBMS goal is not to obtain absolute proof of causality, nor to reject the results reported by business advisors or industry specialists, nor somehow to "catch" KCBS technical specialists inaccurately reporting results. The PBMS Specialist seeks to verify arguments that allow KCBS to attribute results to their interventions. These arguments are objective, and more often than not the PBMS Specialist accepts them, provided the necessary conditions are met. The PBMS Specialist has the final say when there is uncertainty as to the attribution of

results; but such decisions are made by consensus with the component team leaders and COP.

K. Subcontract with Local Business Consultant

KCBS has considered entering into a subcontract with a local business consultant, who will work under the direction of the PBMS Specialist, to:

1. collect baseline data at enterprises and partner organizations as they are identified;
2. build capacity at partner organizations to improve the quality and validity of performance data they provide to KCBS;
3. verify periodically performance results; and
4. conduct competitiveness surveys.

However, the issue of client confidentiality may preclude such an arrangement. Whereas KCBS enjoys the confidence of our clients [indeed, openness in sharing data is a precondition for KCBS's intervention], such openness may be withheld from an independent consultant. Initially, data collection will remain the responsibility of the KCBS team, but the situation will be reviewed as the Program progresses.

L. Reporting and Review

KCBS will provide four performance-based management reports annually, corresponding to the fiscal year for USAID:

- a quarterly report, which will be due within 10 business days of the end of the quarter; and
- an annual report due within 10 business days of the end of the preceding year

The Quarterly Reports to USAID consist primarily of a compilation of verified results data from KCBS's monthly client enterprise reports, as well as appropriate industry level results.

The Annual Report not only expresses the year's jobs, sales, financing, investment, and productivity results in quantitative terms, it also compiles information from the quarterly client reports to describe the difficulties or problems encountered throughout the year and actions undertaken to overcome them.

The Annual Report will contain in-depth analysis of annual progress, updated benchmarks and targets achieved, discussions of progress and hurdles, and presentation of success stories, lessons learned, and best practices. The report will provide quantitative data, such as the year's jobs, sales, financing, investment, and productivity results. There will be written narratives covering major achievements during the reporting period and/or major obstacles that hamper project implementation. A certain amount of anecdotal information will also be provided where applicable. Managers will provide quantitative spreadsheets and narrative text to the performance management specialist for compiling the project-wide performance report.

In addition to quarterly and annual reports, KCBS will generate periodic internal performance updates between reporting periods. The Chief of Party will review these updates with team members regularly. If the interim results indicate the need to refocus implementation activities or update program strategies, the Chief of Party will work with USAID/Kosovo to effect those changes.

Annex A

The Stages to Kosovo Competitiveness

The Stages to Kosovo Competitiveness

Subsector Transformation		Competitiveness Framework
<p style="text-align: center;">Subsector Positions Defined</p> <ul style="list-style-type: none"> • Market requirements defined • SWOT analysis carried out • Comparative advantages determined • Target markets and products identified • Private and public sector actors profiled • Value chain and linkages profiled • Pre-cluster activity defined • Preliminary opportunities identified • Economic baselines established 	Stage 1	<p style="text-align: center;">Framework Assessed</p> <ul style="list-style-type: none"> • Subsector policy/legal/regulatory frameworks mapped • Review of programs completed • Assessment of position carried out • Update of programs carried out • Assessment of capacities carried out • Assessment of subsector associations carried out • Subsector association profiles prepared
<p style="text-align: center;">Enterprise Action Plans Developed</p> <ul style="list-style-type: none"> • Private sector caucuses held • Private sector champions identified • Business expansion targets set • SWOT analysis carried out • Business expansion plan defined • Cluster requirements identified • Cluster formation meetings held 	Stage 2	<p style="text-align: center;">Framework Strategy Developed</p> <ul style="list-style-type: none"> • Subsector association roles defined • Cluster strategy reviewed and upgraded • Plan for upgrading competitiveness framework prepared • Communications requirements assessed • Communications program developed • Association support programs defined • Legal/regulatory issues identified
<p style="text-align: center;">Cluster Action Plans Developed</p> <ul style="list-style-type: none"> • Cluster members recruited • Roles in cluster defined • Cluster management and leadership appointed • Cluster strategy developed and negotiated • Implementation/action plan in place • MOU signed by cluster members • Cluster monitoring and reporting system developed and operational 	Stage 3	<p style="text-align: center;">Capacities Expanded</p> <ul style="list-style-type: none"> • Baselines incorporated into PBMS monitoring framework • Communications program installed in initial participating organizations • Capacity to analyze and report on competitiveness increased • Competitiveness capacities of key public sector agencies expanded • National awareness program developed
<p style="text-align: center;">Cluster Plans Implemented</p> <ul style="list-style-type: none"> • Technical support provided • Market linkages expanded • Regular meetings supported • Resources leveraged • Business partnerships developed and supported 	Stage 4	<p style="text-align: center;">Framework Strengthened</p> <ul style="list-style-type: none"> • Standards, certification, quality, branding programs developed and supported • Trade, regulatory issues constraining subsector growth addressed • National awareness program implemented • Focal point for competitiveness established • Partnerships expanded
<p style="text-align: center;">Clusters Sustained</p> <ul style="list-style-type: none"> • Cluster sustainability plans developed and implemented • New clusters emerging based on KCBS model • Regular media coverage provided for all cluster-initiated activities 	Stage 5	<p style="text-align: center;">Framework Sustained</p> <ul style="list-style-type: none"> • Clusters operational within firm focal point for competitiveness initiatives • Subsector associations provide support services as part of sustainability strategies • Private sector platform developed fully by members

Annex B

Provisional KCBS Results Indicators

In this Annex B, we present descriptions of each of the provisional results indicators for the KCBS Results Framework. This list of indicators is not exhaustive, and may be refined during the work plan review and after the stakeholders' workshops to be held during the first six months.

A consolidated list of Performance Indicators and Targets is presented in Exhibit 3.

IR.1.3 (1) Accelerated Private Sector Growth

Indicator: Company Profit Taxes Collected – Kosovo wide

Definition: This indicator measures profit taxes, which are the primary form of taxation on businesses. Profit taxes from all businesses in Kosovo will be included in this indicator. The profit tax is currently 20% of taxable profit; profit tax is not imposed on businesses with less than €50,000. According to a USAID review of MFE records, the figure for 2003 was €28,412,404.

Unit of Measure: Company Profit Taxes as defined by Regulation No. 2002/03 of the Ministry of Finance and Economy measured in Euros.

Disaggregated by: (i) Cluster industries

Justification: Property taxes are the primary form of taxation on businesses. Taxes collected are a measure of the application by enterprises of transparent reporting using International Accounting Standards, and the Government's commitment to collection.

Collection Method: Data collected by PBMS specialist.

Data Sources: Ministry of Economy and Finance, Tax Administration Dept. Data collected from year to year using a consistent collection process maintained by the Ministry.

Timing/Frequency: Annually

Responsible Parties: KCBS PBMS specialist.

LOP Targets: €43,800,000;
The targets were agreed in discussions with USAID in preparing its PMP during September. The figure for year 2003 was €28,412,404; USAID set a baseline target for 2004 of €34,100,000. Subsequent years' targets were set as follows:

Year One:	€38,200,200
Year Two:	€40,500,000
Year Three:	€42,100,000
Year Four:	€43,800,000

IR.1.3 (2) Accelerated Private Sector Growth

Indicator: Exports as a Percentage of Imports – Kosovo wide

- Definition:** This is an indicator that the World Bank uses to monitor the trade balance. According to a USAID review of the records from the Ministry of Finance and Economy, the value for this indicator in 2003 was 3.7% (36.2 million Euros/968.5 million Euros).
- Unit of Measure:** Exports measured in Euros as a percentage of imports measured in Euros.
- Disaggregated by:** (i) Cluster industries
- Justification:** A fundamental objective of SO 1.3 is that Kosovo enterprises increase domestic sales and displace imported products over time. Products made in Kosovo, instead of being imported, lead to job creation and development of skill sets, which can then be applied to producing goods for export.
- Collection Method:** Data collected by PBMS specialist.
- Data Sources:** Ministry of Finance and Economy, Tax Administration Dept. Customs Authority
Data collected from year to year using a consistent collection process maintained by the Ministry.
- Timing/Frequency:** Annually
- Responsible Parties:** KCBS PBMS specialist.
- LOP Targets:** The targets were agreed in discussions with USAID in preparing its PMP during September. The figure for year 2003 was 3.70%; USAID set a baseline target for 2004 of 4.00%. Subsequent years' targets were set as follows:
- | | |
|-------------|--------|
| Year One: | 6.00% |
| Year Two: | 8.00% |
| Year Three: | 10.00% |
| Year Four: | 12.00% |

IR.1.3.1 (1) Increased Competitiveness of Targeted Clusters

Indicator: Sales within Targeted Clusters

Definition: Increased sales in micro, small, medium and large enterprises resulting from direct KCBS assistance or through the SAF.

Unit of Measure: Enterprise-level sales measured in Euros.

Disaggregated by: (i) Cluster industries
(ii) Sales in domestic and export markets

Justification: Sales is the key measure of enterprise growth. Rapid increase in sales growth is the primary factor leading to rapid increases in job creation. Sales growth is a key indicator of the economic health and competitiveness within targeted industry clusters.

Increases in income and investment within targeted industry clusters, as well as increases in the market share of Kosovar products locally and abroad, are reflected in increases in sales.

Collection Method: Data collected by KCBS advisors, and independently reviewed and randomly verified by PBMS specialist.

Data Sources: Action plans, regularly updated, from individual client enterprises assisted by KCBS directly or through the SAF.

Timing/Frequency: Monthly: Input to database
Quarterly: Reports to USAID.

Responsible Parties: KCBS-assisted enterprises,
KCBS cluster specialists and advisors,
Business Services Support team members,
KCBS PBMS specialist.

LOP Targets: Increase over Baseline of 25%.

Year One: 5.0%

Year Two: 10.0%

Year Three: 17.5%

Year Four: 25.0%

Without knowing the finite value of baseline sales at the time of preparing this PMBS, and recognizing that as new enterprises are added to the portfolio throughout the program, new baselines will be registered, it is not possible to quantify this percentage increase in sales. However, using another benchmark of €10,000 in sales per FTE job created, a LOP Target for increased sales has been set of €50,000,000

IR.1.3.1 (2) Increased Competitiveness of Targeted Clusters

Indicator: Jobs Created within Targeted Clusters

Definition: Increased number of full-time equivalent jobs in micro, small, medium and large enterprises resulting from direct KCBS assistance or through the Strategic Activities Fund (SAF).

Unit of Measure: Person-days of employment, converted to annual full-time equivalent - FTE jobs using 225 days of labor/year.
Full-time employment includes people who have employment (whether hired or self-employed) that is long-term and work 40 or more hours per week.
Part-time employment includes people who are hired for a longer period of time to work less than 40 hours per week.
Seasonal employment includes people who are hired for short periods of time e.g., through the summer, working a different number of hours each day/week.

Disaggregated by: (i) Cluster industries
(ii) Full time and Part time
(iii) Gender

Justification: This is the key measure of success for the KCBS Program and also the principal measure for Strategic Objective 1.3.
Employment growth is a key indicator of the economic health and competitiveness of an industry.

Collection Method: Data collected by KCBS advisors, and independently reviewed and randomly verified by PBMS specialist.

Data Sources: Action plans, regularly updated, from individual client enterprises assisted by KCBS directly or through the SAF.

Timing/Frequency: Monthly: Input to database
Quarterly: Reports to USAID.

Responsible Parties: KCBS-assisted enterprises,
Business Associations
KCBS cluster specialists and advisors,
Business Services Support team members,
KCBS PBMS specialist.

LOP Target: The target of 5,000 additional FTE jobs in enterprises where KCBS has intervened has been set on the basis of €4,000 of program costs per FTE job.

Year One: 400
Year Two: 1,000
Year Three: 3,000
Year Four: 5,000

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

Indicator:	Labor Productivity
Definition:	Decreasing labor involvement in producing same value of production in micro, small, medium and large enterprises, resulting from direct KCBS assistance or through the SAF.
Unit of Measure:	(i) FTE days per €100,000 of production.
Disaggregated by:	(i) Cluster industries
Justification:	Measurable productivity gains demonstrate 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 firms to become more competitive by adopting modern practices and innovating in order to increase value and reduce costs.
Collection Method:	Data collected by KCBS advisors, and independently reviewed and randomly verified by PBMS specialist.
Data Sources:	Action plans, regularly updated, from individual enterprises assisted by KCBS directly or through the SAF.
Timing/Frequency:	Monthly: Input to database Annually: Reports to USAID.
Responsible Parties:	KCBS-assisted enterprises, KCBS cluster specialists and advisors, Business Services Support team members, KCBS PBMS specialist.
LOP Targets:	20% overall improvement in productivity at enterprises where KCBS has intervened. Year One: 5% Year Two: 10% Year Three: 15% Year Four: 20% In addition, where the enterprise produces a single product, or few products, whose quality is maintained over time, and whose units of measure remain consistent, KCBS will monitor improved productivity by measuring reductions in costs of production

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

Indicator: Value of Capital Investment within Targeted Clusters

Definition: Increased capital investment by, and in micro, small, medium and large enterprises resulting from direct KCBS assistance or through the SAF.

Unit of Measure: Capital investment measured in euros.

Disaggregated by: (i) Cluster industries
(ii) Loan pay back periods

Justification: Capital investment is a key measure of enterprise growth. Growing amounts of investment by, and in, enterprises reflect increasing enterprise activity and a growing confidence in future business opportunities. Additionally, investment growth is a good indicator of the economic health and competitiveness of an industry.

Collection Method: Data collected by KCBS advisors, and independently reviewed and randomly verified by PBMS specialist.

Data Sources: Business plans, regularly updated, from individual enterprises assisted by KCBS directly or through the SAF.

Timing/Frequency: Monthly: Input to database
Quarterly: Reports to USAID.

Responsible Parties: KCBS-assisted enterprises,
KCBS cluster specialists and advisors,
Business Services Support team members,
KCBS PBMS specialist.

LOP Target: The target of €5,000,000 in capital investments at enterprises where KCBS has intervened has been set on the basis of investment being 1/10 of additional sales – for which LOP target is €50,000,000.

Year One: €1,500,000

Year Two: €3,000,000

Year Three: €4,000,000

Year Four: €5,000,000

IR.1.3.1 (5) Strengthened Capacity to Access Credit

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

Definition: Increased commercial bank, non-bank and micro financing of micro, small, medium and large enterprises, resulting from direct KCBS assistance or through financial institutions. According to a USAID review of the records from the Ministry of Finance and Economy, the baseline value for this indicator is €15,680,000 in the year 2003.

Unit of Measure: Enterprise-level financing measured in Euros.

Disaggregated by: (i) Cluster industries
(ii) Type and duration of financing [capital investments, working capital, long-term, letter of credit, leasing]

Justification: Financing is a key measure of enterprise growth and viability. Expansion of both commercial bank and non-bank financing reflects expected increases in enterprise sales and a growing ability of enterprises and financial institutions to measure and manage business and financial risks. Increased financing is a key indicator of the economic health and competitiveness of an industry. Note: this indicator includes the amounts for investment measured by Indicator

Collection Method: Data collected by KCBS advisors, and independently reviewed and randomly verified by PBMS specialist.

Data Sources: Action plans, regularly updated, developed with individual enterprises assisted by KCBS directly or through the SAF.

Timing/Frequency: Monthly: Input to database
Quarterly: Reports to USAID.

Responsible Parties: KCBS-assisted enterprises,
KCBS cluster specialists and advisors,
Business Services Support team members,
KCBS PBMS specialist.

LOP Target: The target of €16,000,000 in additional financing at enterprises where KCBS has intervened has been set on the basis of investment being 1/3 of additional sales – for which LOP target is €50,000,000.

Year One: €3,000,000

Year Two: €6,000,000

Year Three: €10,000,000

Year Four: €16,000,000

IR.1.3.2 (1) Improved Business Operating Environment

Indicator: **Number of Companies Registered – Kosovo wide.**

Definition: Companies registered with Agency for Business Registry (MTI). According to the records from the Agency, the value for this indicator is 40,703 companies in the baseline year of 2004.

Unit of Measure: Number of Companies.

Disaggregated by: (i) Cluster industries
(ii) Companies owned by Foreign Investors

Justification: Number of Companies registered is an indication of the developing business community in Kosovo. Companies being formed with foreign investment is an indication of growing confidence in the business operating environment in Kosovo.

Collection Method: Data collected by PBMS specialist.

Data Sources: Ministry of Economy and Finance, Tax Administration Dept.
Ministry of Trade and Industry, Dept. for Registration

Timing/Frequency: Annually

Responsible Parties: KCBS PBMS specialist.

LOP Target: The targets were agreed in discussions with USAID in preparing its PMP during September. The actual number of companies registered in the baseline year of 2004 was 40,703. USAID set targets for subsequent years as follows:

Year One:	44,000
Year Two:	47,000
Year Three:	51,000
Year Four:	54,000

IR.1.3.2 (2) Business Associations Responsive to Client Needs

Indicator: Number of Associations with Strategic Plans

Definition: Total number of USAID supported associations with Strategic Plans created, approved and implemented.

Unit of Measure: Number of Associations.

Disaggregated by: (i) Cluster industries

Justification: Number of associations with strategic plans is an indication of the developing business community in Kosovo. Associations that have the clear vision of the future with appropriate allocation of resources will be of great benefit to their member companies.

Collection Method: Data collected by KCBS advisors

Data Sources: Associations

Timing/Frequency: Monthly: Input to database
Quarterly: Reports to USAID

Responsible Parties: KCBS cluster specialists and advisors,
Business Services Support team members

LOP Target: 20 Associations

Year One:	6
Year Two:	10
Year Three:	14
Year Four:	20

IR.1.3.2 (3) Business Associations Responsive to Client Needs

Indicator: **% of Operating Revenues Self-Generated by the Associations**

Definition: 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.

Unit of Measure: A percentage.

Disaggregated by: (i) Cluster industries
(ii) Revenue source

Justification: Associations with viable Revenue Generation plans and collection implementation are an indication of the developing and sustainable business community in Kosovo and the associations' ability to advocate for their members.

Collection Method: Data collected by KCBS advisors

Data Sources: Associations

Timing/Frequency: Monthly: Input to database
Quarterly: Reports to USAID

Responsible Parties: KCBS cluster specialists and advisors,
Business Services Support team members

LOP Target: 14 Associations out of 20 established, with at least 80% of operating revenue self-generated,

Year One: 4 Associations with at least 50% self-generated

Year Two: 7 Associations with at least 70% self-generated

Year Three: 10 Associations with at least 80% self-generated

Year Four: 14 Associations with at least 80% self-generated

IR.1.3.2 (4) Business Associations Responsive to Client Needs

Indicator: Number of Associations employing Permanent Staff

Definition: Total number of USAID supported associations employing permanent staff.

Unit of Measure: Number of associations.

Disaggregated by: (i) Cluster industries

Justification: Permanent staff working with associations means that associations are capable of supporting the member companies on ongoing basis. A body of administrative expertise is developed which will lead to sustainable associations

Collection Method: Data collected by KCBS advisors.

Data Sources: Associations

Timing/Frequency: Monthly: Input to database
Quarterly: Reports to USAID

Responsible Parties: KCBS cluster specialists and advisors,
Business Services Support team members

LOP Target: 14 Associations

Year One: 3 Associations

Year Two: 5 Associations

Year Three: 8 Associations

Year Four: 14 Associations

Additional Indicators:

As mentioned in paragraph Section II, C.4, KCBS will also track developments and achievements, though not necessarily in quantified terms, of other indicators in the Results Framework and will *report on these on an annual basis*. The results will be referenced to the outcomes quantified by the sub-IR indicators previously described in this Annex B. An outline description of some of these indicators is given below:

Number of enterprises in targeted clusters adopting improved technology

This indicator is a measure of changes in production systems, inputs and methodologies that increase product volume, quality and/or reduce costs. This includes practices and inputs recommended by KCBS to business service providers as well as technology obtained by enterprises on their own. KCBS will record production technologies and inputs used by cluster member firms. KCBS will then track, on a periodic basis, changes in production techniques and inputs adopted by cluster member enterprises. KCBS will verify technology adaptation through visits to cluster enterprises and business associations. Limitations on the validity of this indicator include the fact that a firm that adopts several technologies is counted the same as an enterprise that has adopted just one innovation.

Number of enterprises complying with accepted quality standards

This indicator will track the firm's ability to implement accepted quality standards awarded by organizations such as the International Standards Organization, Eurepgap (http://www.eurep.org/Languages/English/index_html), or established producer's associations, including domestic associations. KCBS will record the production and service standards used by cluster member firms, then track, on a periodic basis, what new standards have been adopted. KCBS will verify compliance through visits to enterprises and business associations.

Value of transactions resulting from improved market chain linkages

This indicator is a measure of the value of market linkages (both forward and backward) throughout the value chain in a sub-sector. This indicator will measure the value in Euros of trade contracts concluded as a result of business-to-business linkages, trade shows, and marketing trips. KCBS will gather this data from the relevant business associations.

Score on Business Environment Index

This indicator is a qualitative indicator that will be based on a survey of leading policy makers, business consultants, lawyers, researchers and practitioners, who will be asked to assess the ease, cost, and transparency of a series of factors that impact the overall business environment. The index will be based on the World Bank's *Doing Business 2005* report.¹ The World Bank's methodology is quite thorough: for each country listed, a team of professional researchers analyzed relevant laws and regulations, conducted several rounds of interviews, administered a survey of local business leaders, lawyers and judges, reviewed findings with academics and practitioners, tested data for robustness, and made adjustments to the dozens of performance indicators that comprise the index.

KCBS cannot replicate the World Bank's effort, but we can build a rudimentary index based on the 7 components² of the *Doing Business* report, which is rapidly becoming a universal measure of the policy environment for business development and growth. KCBS and USAID must acknowledge at the outset that any Kosovo-specific index will be necessarily incomplete and imperfect in its early stages. It will be a work in progress that will improve with time, as additional skills and resources are brought to bear.

¹ The report may be previewed at <http://rru.worldbank.org/doingbusiness/>.

² The *Doing Business* index measures the ease and cost of (1) starting a business, (2) hiring and firing workers, (3) registering property, (4) getting credit, (5) protecting investors, (6) enforcing contracts, and (7) closing a business.

In the immediate term, KCBS will complete the following tasks:

1. Select indicators for the Kosovo business environment index
2. Identify local professionals to survey (incorporation and litigation lawyers, business consultants, judges, land registry officials, real estate professionals, business association leaders)
3. Review relevant laws and regulations
4. Design standardized business case
5. Assist World Bank with design and administration of survey
6. Facilitate focus groups with academics, business leaders, policy makers to validate survey results
7. Review first draft of business environment index

Number of businesses using local business consulting services; and

Sales of local business consulting services

These indicators measure the size of the market for local business consulting services. They directly track a key expected result of KCBS: the development of a business consulting service sector. Business consulting service providers are consulting or research firms, associations and networks that offer business development services to the private sector. The indicators include USAID-assisted enterprises that use such local business consulting services. The indicators assume that the services are being used to improve business operations, efficiency, and sales.

Number of firms in compliance with accepted accounting practices

This indicator will measure the extent to which enterprises are applying the knowledge and tools made available to them by business service providers, consultants, and training institutions. KCBS will obtain data directly from enterprises and also from the Society of Certified Accountants and Auditors in Kosovo and business consulting service providers. Accepted accounting practices include International Accounting Standards and Kosovo Accounting Standards.

Number of successful advocacy campaigns initiated by the private sector

This indicator will measure the ability of the private sector (enterprises via business associations) to engage the public sector in a dialogue about necessary policy reforms. Successful advocacy campaigns will result in decisions taken and implemented by policy makers that improve the business climate and enable more rapid and sustained enterprise growth. KCBS will obtain data on advocacy campaigns directly from Kosovo business associations

Description	FY05												FY06		
	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	
The Livestock Cluster															
Dairy Cluster															
Establish an effective dairy farmers association															30 JUN 05
Provide on-farm milk production assistance															31 AUG 05
Deliver expert advice in grades and standards															30 JUN 05
Recommend artificial insemination-silage program															30 JUN 05
Dairy breed cost analyses & breed adaptability															29 APR 05
Develop a dairy products testing system															31 AUG 05
Train veterinarians in milk quality standards															31 MAR 05
Study tour Croatia/Albania, observe dairy sector															30 JUN 05
Develop Model Business Plan															31 MAY 05
KAMP or Kosovo Veterinary Holstein semen/breeding															30 JUN 05
Draft regulation on milk quality standards															29 JUL 05
Work with Swiss Dairy Project on seal of quality															31 AUG 05
Assist farms to improve raw milk grade&standards															29 APR 05
Assist to prevent diseases that cause sterility															31 OCT 05
Implement Kosovo dairy herd book/genetics record															30 JUN 05
Implement quality control program HACCP/ISO 9000															30 SEP 05
Meat (Broiler Production) Cluster															
Identify structure-broiler industry & priorities															28 FEB 05
Develop model business plan - broiler operation															29 APR 05
Assess the market demand for Kosovo lamb meat															29 JUL 05
Develop commercial broiler production															31 MAR 05
Assess demand for new product development															30 JUN 05
Study tour to Macedonia & Albania															31 MAY 05
Broiler meat marketing expert															31 MAR 05
Implement Kosovo Fresh Chicken POP campaign															30 SEP 05
Set up broiler slaughterhouse															30 JUN 05



Description	FY05												FY06				
	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC			
	Animal Feed Cluster																
Work with WG-Improve quality of feed ingredients																	
Explore opportunities to improve credit services																	
Facilitate production of quality feed grain seed																	
Develop model business plan																	
Award Grant to DM variety cultivation/use trials																	
Institute Improvements for dairy rations																	
Disseminate results from feed grain test plots																	
Improve silage preparation using corn & alfalfa																	
Conduct on-farm trials processing of feed grains																	
Identify MO for soybeans/alfaalfa/silage product																	
Eggs Cluster																	
Recruit & train associations executive directors																	
Study tour to observe breeder operations																	
Poultry laboratory for disease dignostics																	
Review industry structure, resources, and demand																	
Establish information database for SHPUK																	
Draft regulation poultry standards																	
Conduct cost-benefit analysis for Kosovo breeder																	
Calculate poultry feed grain least cost rations																	
Implement Kosovo Fresh Egg POP campaign																	
Provide best cost input & disease prevention																	



Description	FY05												FY06		
	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	
The Fruits and Vegetables Cluster															
Fruits & Vegetables															
Establish market chain linkage farmer-wholesaler															
Work with LB to setup food processing facilities															
Establish current cost of production of F&V															
Improving quality of final product packaging															
Visit vegetable processing companies in region															
Test plots to determine processing potential															
Define "winners" for industrial tomato varieties															
Monitor F&V sale prices farm-wholesale-retail															
Facilitate transactions between buyers & sellers															
Increase quality of fresh F&V /processed products															
Prepare specification/standards for F&V category															
Trip visit in Bosnia (LAMP - project)															
Support contract relationships farmer-processors															
Visit regional trade fairs with client companies															
Study tour to Holland for F&V associations															
Establish "Made in Kosovo" brand															
Create & register Association of Fruit Growers															
Strengthen AFG, advocate for their members															



Description	FY05												FY06	
	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Improved Business Operating Environment														
Business Constraints														
Conduct review of admin. barriers to business				28 FEB 05										
Add Kosovo to Doing Business '06 index						29 APR 05								
VAT exemption analyses for import livestock feed					31 MAR 05									
Privatization & investment support as needed												30 SEP 05		
Organize forum to promote business-gov. dialogue						29 APR 05								
Examine privatization/investment climate/opports					31 MAR 05									
Assess TP harmonization and draft regulation								29 JUL 05						
Publish & disseminate results of business - gov.							31 MAY 05							
Cost-benefit analysis/impact study of 27 FTAs								29 JUL 05						
Prepare/disseminate brochure with TP highlights												30 SEP 05		

Start date	01 NOV 04
Finish date	30 DEC 05
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USAID Kosovo Cluster & Business Support
Improve Business Environment

FTA-Free Trade Agreement
 BA-Business Associations
 KBA-Kosovo Business Association
 SEE-South East Europe
 TP-Trade Policy



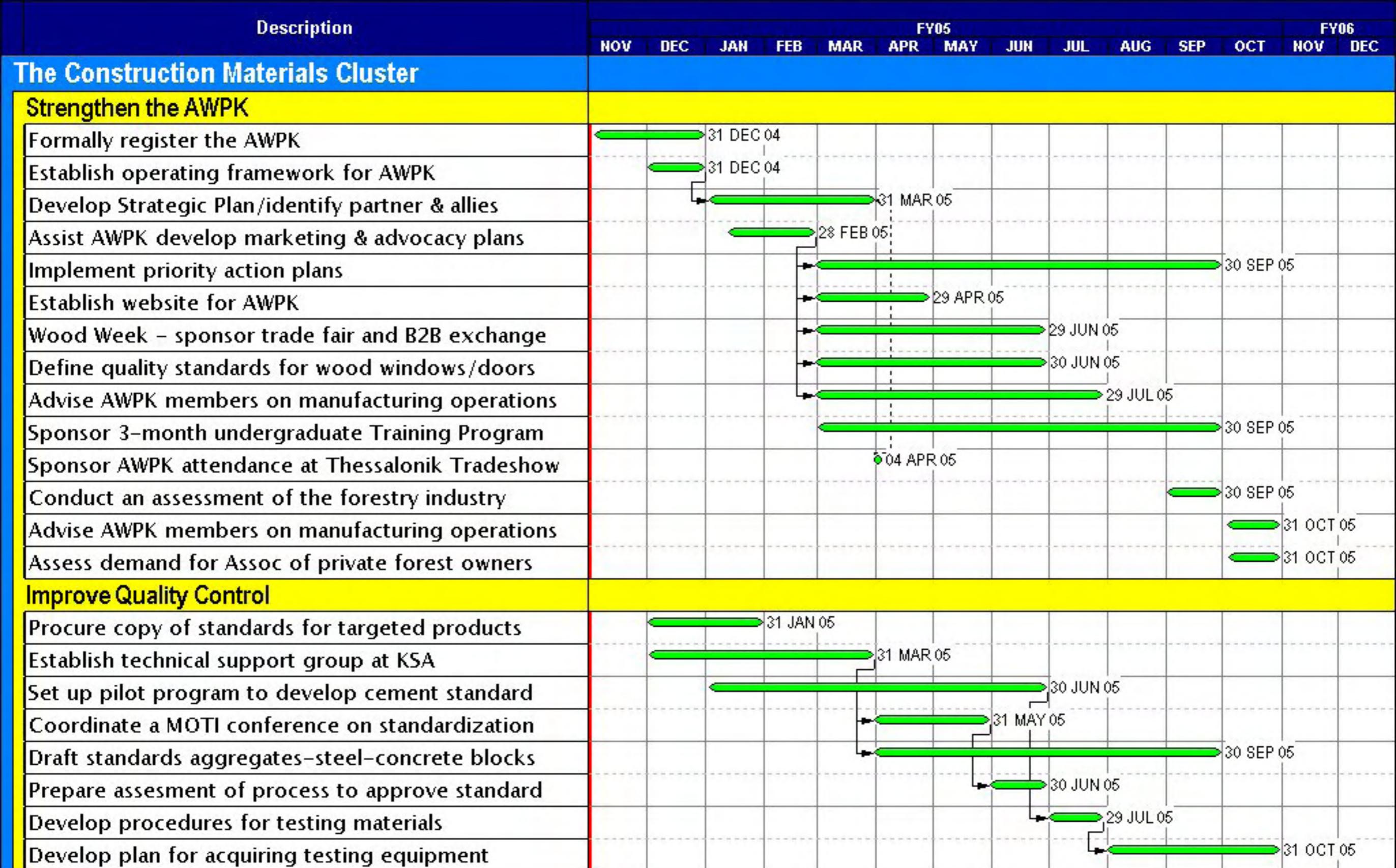
Description	FY05												FY06		
	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	
Business Support Services															
Identify/publish barriers to business –FDI			[Green bar from Jan to May]					31 MAY 05							
Upgrade and certify accounting training material			[Green bar from Jan to Apr]				29 APR 05								
Inventory business service providers			[Green bar from Jan to May]					31 MAY 05							
Survey credit providers/collect data on loanterm				[Green bar from Feb to Mar]		31 MAR 05									
KCBS & World Bank to train business advisors			[Green bar from Jan to May]					31 MAY 05							
Deliver pilot for accounting training curriculum			[Green bar from Jan to Sep]									30 SEP 05			
Improve collateral issues–Work with BPK & Banks			[Green bar from Jan to Sep]									30 SEP 05			
Invite gender specialist to conduct training				[Green bar from Feb to Apr]		29 APR 05									
Assess market demand for consulting services					[Green bar from Mar to May]		31 MAY 05								
Identify new financial products					[Green bar from Mar to Jul]					29 JUL 05					
Explore feasibility of introducing DCA guarantee					[Green bar from Mar to Jun]				30 JUN 05						
Identify demand for credit & financial services					[Green bar from Mar to Apr]		29 APR 05								
Educate bank loan officers on modern practices								[Green bar from Jul to Sep]				30 SEP 05			

Start date 01 NOV 04
 Finish date 30 DEC 05
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**USAID Kosovo Cluster & Business Support
 Improve Business Environment**

FTA-Free Trade Agreement
 BA-Business Associations
 KBA-Kosovo Business Association
 SEE-South East Europe
 TP-Trade Policy





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 Finish date 31 OCT 05
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**USAID Kosovo Cluster & Business Support
 Construction Materials Cluster**

AP-Action Plan
 AWPK-Association of Wood Processors in Kosow
 MOTI-Ministry Of Trade and Industry
 KSA-Kosovo Standardization Agency
 LA-Loan Application
 KARC-Kosovo Association of Road Constructors



Description	FY05												FY06		
	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	
Improve Productive Capacity															
Support drafting docts. for Aragonit LA															
Expedite with KTA – Silcapor privatization															
Meet local banks to discuss LA for Silcapor															
Assess quality of aggregate suppliers to KARC															
Assist Aragonit to contract for steel plant LA															
Facilitate privatization transaction (Silcapor)															
Establish capacity for tests on Imported steel															
Meet with KARC to determine quality input															
Develop annual action plan for KARC															
Recommend methods for improving quality control															
Reactivate Association of Terracotta Manufactures															
Establish website for KARC															
Increase production of thermal blocks/employment															

Start date	01 NOV 04
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**USAID Kosovo Cluster & Business Support
Construction Materials Cluster**

AP-Action Plan
 AWPK-Association of Wood Processors in Kosow
 MOTI-Ministry Of Trade and Industry
 KSA-Kosovo Standardization Agency
 LA-Loan Application
 KARC-Kosovo Association of Road Constructors

