



**USAID Agribusiness Project Quarterly Report  
September 28 – December 31, 2007**

**Activity:** **USAID Agribusiness Project**

**Descriptive Title:** **Quarterly Report**

**Period of Report:** **September 28, 2007 - December 31, 2007**

**Contract no.:** **EDH-I-00-05-00004-00/09 USAID Agribusiness Project**

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**USAID Agribusiness Project Quarterly Report  
September 28 – December 31, 2007**

## **Table of Contents**

<b>Introduction</b>	<b>2</b>
<b>A. Activities Planned for the Period and Results Achieved Compared to Targets</b>	<b>2</b>
<b>B. Significant Problems Encountered During the Period</b>	<b>7</b>
<b>C. Actions Taken to Resolve Problems Encountered</b>	<b>7</b>
<b>D. Observations Regarding Implementation</b>	<b>8</b>
<b>E. Plans for Next Quarter</b>	<b>8</b>

### **Annex 1: Accruals as of December 31, 2007**

## **Introduction**

With our partners, Booz Allen Hamilton and International Relief and Development, DAI is pleased to present our quarterly report for the period covering September 28 to December 31, 2008 of the USAID Agribusiness Project. Our report covers all the elements required in the task order (section A.8) except a report on investment incentive grants as we have not disbursed grants as of December 31, 2008. The attached accrual report includes costs from the field for December but not the home office as these take time to prepare. An updated accrual will be delivered as soon as possible.

## **A. Activities Planned for the Period and Results Achieved Compared to Targets**

To simplify the reporting process, we will refer to the Gantt Chart included with our approved work plan. Only tasks and activities planned for the first quarter will be presented with the final column reporting results to date. Items reported in red were not accomplished with a reason for their delay in the results column.

In addition to Chart 1, some accomplishments are reported here with more detail.



## USAID Agribusiness Project Quarterly Report September 28 – December 31, 2007

### **1. Vojvodina Development Fund.**

The project has been asked to collaborate with the Vojvodina Development Fund. Specific details are yet to be determined but initial discussion reports that the Fund would like to earmark up to 2.5 million Euros of their funds for companies (agribusinesses) for preferential loans. We believe that the Fund will allow recommended companies access to their loans without competition. Another meeting will be held in January to spell out the exact terms of our collaboration.

### **2. ITN and Foodland**

Foodland wants to build a new processing plant worth an estimated 3 million Euros. They contacted the project asking if we could recommend a service provider to design and build their plant for them. We recommended ITN who signed a contract with Foodland at the end of December to build the plant.

### **3. Investment in Vojvodina**

An English agribusiness company has contacted us to provide them with agronomic advice for a 2,000 hectare farm they are planning in Vojvodina in the near future. The farm will be mixed vegetables and oil seeds. In addition, the company (who wish to remain anonymous for the present) are buying a dairy farm in Vojvodina and expect to import 650 superior milk cows and to have a Scottish manager. They have asked us to include them in our dairy sector activities.

### **4. Trader Joe's Contract**

Following an activity started under the SEDP project, the first major sale was confirmed. Malina Product of Pozega confirmed their business with Trader Joe's in the United States for a retail frozen mixed fruit pack for national roll-out starting in January. This business has taken 2 years to bring together and support provided by USAID consisted of a financial grant for Trade Show participations and promotional materials, not to mention buyer introduction, buyer organization for plant inspection, logistics organization, general contract discussions and tariff code consultation.

### **5. Potatoes to Romania**

Graham Dale met with the Romanian Minister of Agriculture and his EU advisor to discuss importing potatoes from Serbia. Romania was once Serbia's largest potato importer. The Minister expressed his interest in continuing to import potatoes if Serbia could meet minimum EU standards of traceability and use of certified seed potatoes. Neither requirement is burdensome.

### **6. Sub-sector Value Chain Analyses**

Project personnel completed nine value chain analyses to help construct a sector strategy. The sector selection process was presented to the embassy and, based on the Mission and Embassy's remarks, our work plan was approved.

### **7. Administration and HR**

The project was fortunate to have an advance team come to Serbia immediately upon signing the contract with USAID. The advance team located office space, arranged for donations of furniture from former CRDA partners, CHF and IRD, as well as one vehicle donation from IRD.



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## **USAID Agribusiness Project Quarterly Report September 28 – December 31, 2007**

All national personnel were hired with the exception of a policy deputy and a finance expert. The search for qualified candidates continues. All four expatriate personnel arrived in country as planned.

### **8. Value Chain Training**

An expert from DAI in Bethesda, Bill Grant, gave a three day value chain training at the beginning of project activities. The training was well attended by both project staff, USAID and others. It set the course for the project's sub-sector analyses and sub-sector strategies.

### **9. Morrisons UK.**

First meetings have taken place with ATLE company, with a view to providing assistance to their embryo Producer group which needs Globalgap registration in order to assess the lucrative Morrison supermarket frozen and fresh market business. Success will provide valuable export sales.



**USAID Agribusiness Project Quarterly Report**  
**September 28 – December 31, 2007**

<b>CHART 1</b>				<b>PLANNED ACTIVITIES AND RESULTS</b>
<b>Quarterly Report</b>	<b>M1</b>	<b>M2</b>	<b>M3</b>	<b>Results</b>
<b>Project Start Up</b>				
Mobilize Long-term staff and establish field offices				All long-term staff except Deputy Policy and Finance persons are hired. Offices have been located in Novi Sad and Cacak but Nis is on hold. Project is waiting for instructions from USAID about their office requirements.
Initial Consultations with USAID and Partners				Have met with USAID, MAFWM, mayors (NALED) and other projects. Currently hosting some Competitiveness employees in our office until they have space.
Train staff in operations and management systems				Staff are all using DAI email and computer systems. TAMIS will be installed in the second quarter.
Develop Procurement Procedures manual				Completed. However, IRD and BAH need to negotiate leave and allowance with DAI home office to coordinate subs and prime procedures and leave policy.
Gender training for project staff and partners				Not completed but search for consultant is underway.
Train staff and partners in ISP tools				All staff are using ISP.
Develop Year one Work Plan and submit to USAID				Completed and accepted in December 08.
<b>Launch Project Tools</b>				
Develop Project TAMIS				Consultant from DAI will be in Serbia January 15 to install TAMIS and train staff. USAID will have access.
Develop Website				Not completed although bids have been requested.
Develop Performance monitoring plan				PMP is being developed based on work plan and initial value chain analyses. Should be completed in second quarter.
<b>Ongoing Project Activities</b>				
Monthly Meeting with USAID				Completed
Quarterly reports				This is the first quarterly report.
Establish LTTA mentoring strategy-quarterly evaluations				Ed Salt from TRG will be here in the second quarter to establish the mentoring program.
Servicing information databases				TAMIS will establish these databases. In the meantime, through the value chain analyses, e have begun collecting data on possible grantees and service providers.
<b>Component I: Increased Efficiency and Competitiveness of Serbian</b>				
<b>Objective I.0: Develop Subsector Commodity Action Plans</b>				
Task 1.0.1: Select Sub-sectors				Completed with work plan adoption.
Task 1.0.2: Conduct Rapid Sub-sector Assessments				Completed but an on-going process for the life of project.
Task 1.0.3: Develop Commodity Action Plans				To be submitted on a quarterly basis. First action plans for each value chain are due January 16, 2008.



**USAID Agribusiness Project Quarterly Report  
September 28 – December 31, 2007**

<b>Objective 1.1: Strengthen Producer Organizations</b>				
Task 1.1.1: Conduct rapid inventory of producer orgs.				Begun with value chain assessments and continuing through the lie of project. Will be include din our web site as well for pre-registering with the project.
Task 1.1.2: Conduct needs assessments of selected orgs.				Being done on an on-going basis
1. Technical				Being done on an on-going basis
2. Financial and Management Training				Being done on an on-going basis. Project staff will be trained in analyzing financial data from companies and associations at the end of January 2008
3. Marketing				Being done on an on-going basis
<b>Objective 1.2: Improve ABDS Delivery</b>				
Task 1.2.1: Build supply for business services				
1. Identify and prioritize required skills by sub-sector				Begun during value chain analyses but not completed. More research is required to get a better picture of the needs of businesses and service providers.
2. Develop ABDS provider database				Also begun but is an on-going process through the life of project. TAMIS and a web site will facilitate this activity when completed.
<b>Objective 1.3: Youth Enterprise Program and Business Plan Competition</b>				
Task 1.3.1: Develop Youth Business Planning courses and competition				Ivana Petroivc who is in charge of the Youth Program could not begin work until December 1. She has begun development of the competition and is expecting Dr. Michelle Owens from Michigan State University to assist her in January 08.
Task 1.3.3: Develop continuing education classes for youth				Youth Program director has held talks with the eMinsitry of Education. Discussions are on-going.
<b>Objective 1.4: Initiate Crosscutting Activities</b>				
Task 1.4.3: Access volunteers to support POs and Agribusiness				One potential volunteer has been contacted about our 4 H program
Task 1.4.4: Develop PERSUAPS				PERSUAPS development has started but is not complete. We expect it to be completed and accepted by Washington sometime near the end of the second quarter.
Task 1.4.5: Develop Environmental control for grants				Now that the work plan has been accepted, the environmental officer will begin discussions with agricultural officers and grants manager to establish guidelines for environmental controls for grants.
<b>Objective 2.2: Facilitate Legal, Policy, and Regulatory Reform</b>				
Task 2.2.1: Create framework for MAFWM policy support				Initial meeting with State Secretary Golubovic and International Liaison Milenka Davidovic took place in December. Discussions are on-going.
<b>Component 3: Establish USAID Agribusiness Project Improved Enabling</b>				
Task 3.1: Establish grants manual and get USAID concurrence				Grants manual was submitted for approval. We are waiting for Contract's Officer remarks or approval.
Task 3.2: Implement Investment Incentive Grants Program				Not started except brainstorming ideas for inception.
Task 3.3: Implement Enabling Grants Program				Not started other than discussions of how to should be structured.



## **B. Significant Problems Encountered During the Period**

To date, we have three significant problems. Determining how to base wages for national staff, either on the Euro or dollar and hiring qualified local staff for the positions of Policy Deputy and Finance Manager. The last problem is finding vehicles that match our requirements in the United States.

- **Salaries**

We chose to fix salaries against the U.S. dollar for two reasons. This is an American funded project and we felt we should use the American Dollar as the currency. Also, it is much easier for our accountant to track activities where all transactions are in dollars or dinars rather than converting from three currencies.

- **Hiring Staff for Specialty Positions**

We have struggled to find competent a financial manager who is willing to work for the level of compensation we can afford to offer. This is a highly valued skill in Serbia and with the increase in the number of private banks over the last few years, the number of available, competent finance personnel has not increased at the same pace as the demand.

For the Policy Deputy, we are finding it difficult to recruit a person with the requisite skills who is not closely tied to a political party. We do not want to be seen as political, especially when making recommendations to parliament or Ministries.

- **Vehicles**

We would have preferred to buy multi-purpose vehicles such as the Chrysler Voyager which can be used to transport up to 7 people at a time or, when the seats are removed in the rear, quite a bit of cargo. However, we wanted to buy Voyagers with natural gas or diesel engines, neither of which are available in the United States. Diesel powered Voyagers are manufactured in Austria but they do not meet the 000 source/origin requirements.

## **C. Actions Taken to Resolve Problems Encountered**

- **Salaries**

We have fixed salaries to the US dollar while our sub-contractor, Booz Allen Hamilton, has pegged salaries to the Euro. Time will tell if either policy is the right one or not. We remain flexible and can adapt if necessary.



- **Personnel**

We will place additional ads in newspapers and on the internet to try and fill the two positions as soon as possible. While we can find short-term consultants to fill these positions temporarily and our long term expatriates are currently engaged in their sectors, we would like to hire permanent staff to begin mentoring.

- **Vehicles**

After some research, we have decided to buy three Jeep Liberties with small 2 liter diesel engines manufactured and shipped from the United States and one Dodge Grand Caravan with a petrol engine. We also received one Jeep Cherokee as a donation from IRD. This will make a total of 5 vehicles, one for each field office and two for the office in Belgrade.

## **D. Observations Regarding Implementation**

- It is unclear if we will require three regional offices or two. We would prefer to open two offices, in Čačak and Novi Sad presently and remain open minded about the Niš office. Each office will have two agricultural development officers assigned to it.
- Most staff transitioned to the USAID Agribusiness Project from the former CRDA project. Although this caused some concern that an NGO humanitarian mentality would be difficult to convert to a business oriented project, we are confident that after three months of working together that this will not be the case. The value chain training and sub-sector analyses have been good tools for providing staff with direction and showing how the project should proceed.
- The agriculture sector is changing, on its own without the project. Our contribution will be providing direction for the change and encouraging it to happen more quickly than left to its own accord. Policy may end up being one of our most important contributions.

## **E. Plans for Next Quarter**

The following Chart 2 is based on the work plan Gantt Chart and reflects our activities for the next quarter. Of course we will be opportunistic during implementation so the activities highlighted here do not necessarily reflect the total work to be accomplished nor the detail which will be invested in the activities.

Priorities for the next period will be:

- Financial analysis training for staff;
- Starting 4 H and Youth Business Plan Competitions;
- Approval of Grants Manual;



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**USAID Agribusiness Project Quarterly Report  
September 28 – December 31, 2007**

- Commodity action plans and implementation;
- Vojvodina Development Fund;
- Coordination with SCOPES and Competitiveness Projects;
- Opening Regional Offices in Čačak and Novi Sad;
- Establishing lists of ABDS providers and vetting services; and
- Beginning enabling and investment incentive grants program.



**USAID**  
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**USAID Agribusiness Project Quarterly Report**  
**September 28 – December 31, 2007**

<b>CHART 2</b>	<b>M4</b>	<b>M5</b>	<b>M6</b>	<b>REMARKS</b>
<b>Quarter Two Activities</b>				
<b>Project Start Up</b>				
Mobilize Long-term staff and establish field offices				Finalize field office requirements with USAID
Gender training for project staff and partners				Conduct Gender training for all staff
<b>Launch Project Tools</b>				
Develop Project TAMIS				Consultant due in mid-January 08
Develop Website				Bids received, development proceeding
Develop Performance monitoring plan				Working with IRD on indicators to present to CTO
<b>Ongoing Project Activities</b>				
Monthly Meeting with USAID				Will be represented at each meeting
Quarterly reports				
Establish LTTA mentoring strategy-quarterly evaluations				Ed Salt due in January
Servicing information databases				On-going activity
<b>Component 1: Increased Efficiency and Competitiveness of Serbian</b>				
<b>Objective 1.0: Develop Subsector Commodity Action Plans</b>				
Task 1.0.3: Develop Commodity Action Plans				Revised each quarter, reviewed by USAID every 2nd quarter
<b>Objective 1.1: Strengthen Producer Organizations</b>				
Task 1.1.1: Conduct rapid inventory of producer orgs.				On-going activity
Task 1.1.2: Conduct needs assessments of selected orgs.				On-going activity
1. Technical				On-going activity
2. Financial and Management Training				On-going activity
3. Marketing				On-going activity



<b>Objective 1.2: Improve ABDS Delivery</b>				
Task 1.2.1: Build supply for business services				On-going activity
1. Identify and prioritize required skills by sub-sector				On-going activity
2. Develop ABDS provider database				On-going activity
3. Provide sub-sector specific technical assistance				On-going activity
4. Train ABDS providers				On-going activity
5. Develop relationships with international suppliers				On-going activity
6. Help establish required ABDS that do not exist in Serbia				On-going activity
Task 1.2.2 Improve access to financial services				
1. Improve knowledge and bankability of agricultural SMEs				Financial training scheduled for January 08
2. Assist banks to develop products and skills				On-going activity by STTA and staff
3. Assist banks in developing ag market demanded products				
4. Assist Serbian ag firms and producer orgs to access GOS funds				On-going advisory services
5. Improve collateralization of farms through legal registration				Policy issue
Task 1.2.3: Improve access to domestic and international markets				On-going marketing service
1. Institutional producer training and education				On-going activity
2. Ensure info flows for producers and buyers in sub-sectors				
3. Organize sub-sector export associations				To be started in March 08
4. Launch a BUY SERBIA campaign and mark of quality				Marketing campaign to be initiated in March 08
5. Improve government support for promotional events				Work with SEPIA and MAFWM
6. Enhance agribusiness linkages for market access				Work with SEPIA and MAFWM, Chambers of Commerce



**USAID Agribusiness Project Quarterly Report  
September 28 – December 31, 2007**

<b>Objective 1.3: Youth Enterprise Program and Business Plan Competition</b>				
Task 1.3.1: Develop Youth Business Planning courses and competition				Begins in Jan. 08 for adoption by schools in September 08
Task 1.3.2: Institute 4H programs				Starts Jan 08 with help from Michigan State University
Task 1.3.3: Develop continuing education classes for youth				On-going activity with Ministry of Education
<b>Objective 1.4: Initiate Crosscutting Activities</b>				
Task 1.4.1: Generate positive media coverage				Monthly success stories and press releases
Task 1.4.2: Establish women's agricultural group				To begin in February
Task 1.4.3: Access volunteers to support POs and Agribusiness				On-going search for qualified volunteer personnel
Task 1.4.4: Develop PERSUAPS				Completed in March 08
Task 1.4.5: Develop Environmental control for grants				To be completed in February 08
<b>Component 2: Improved Enabling Environment for Serbian Agribusiness</b>				
<b>Objective 2.1: Improve Production Estimates and Price Information</b>				
Task 2.1.1: Strengthen STIPS				Work with Green Pages and others to develop program
Task 2.1.2: Develop Agro-SMS Capacity				Review existing SMS and decide where to go with program
Task 2.1.3: Organize National Census				With Ministry of Agriculture
<b>Objective 2.2: Facilitate Legal, Policy, and Regulatory Reform</b>				
Task 2.2.1: Create framework for MAFWM policy support				On-going activity
Task 2.2.2: Provide technical support to policy coordination				On-going activity
Task 2.2.3: Support policy implementation				On-going activity
Task 2.2.4: Address specific policy reform activities				On-going activity
1. Warehouse receipts				Consultant due in February
2. Plant Protection rights				TBD
3. Farm Cooperative laws and registration				TBD
<b>Component 3: Establish USAID Agribusiness Project Improved Enabling</b>				
Task 3.1: Establish grants manual and get USAID concurrence				Manual submitted in 1st quarter
Task 3.2: Implement Investment Incentive Grants Program				From January 08
Task 3.3: Implement Enabling Grants Program				From January 08