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QUARTERLY REPORT

FOR OCTOBER 1 TO DECEMBER 31, 2005 (Q1, FY 2005/6)

ALBANIA SMALL BUSINESS CREDIT AND ASSISTANCE PROJECT



JANUARY 2006

This publication was produced for review by the United States Agency for International Development. It was prepared by the Albania Small Business Credit and Assistance Project.

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ALBANIA SMALL BUSINESS CREDIT AND ASSISTANCE PROJECT

USAID/ALBANIA

CONTRACT NUMBER 182-C-00-02-00102-00

IMPLEMENTING CONTRACTOR: CHEMONICS INTERNATIONAL

This project will assist USAID to achieve Strategic Objective SO 1.3

DISCLAIMER

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

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1. HIGHLIGHTS OF ACHIEVEMENTS AND RESULTS

The following summarizes the main Project achievements and results for Phase 2 to date, which covers the period from March 2005 to December 2005.

- **Jobs Created (PMP Indicator 1)** - A total of 272 jobs have been created by SBCA-assisted enterprises to date. (This number will rise as SBCA increases client monitoring from Q2, 2005/6 onwards).
- **Domestic Market Sales (SO 1.3.3a)** - The estimated total sales of the 81 businesses receiving technical assistance (TA), and the 266 Phase 2 loan clients, are \$84 Million.
- **Sales Increases (SO 1.3.3b)** - SBCA intervention has resulted in domestic sales increases of \$2,517,863 from 171 clients. **Export Sales (SO 1.3.4a)** – The estimated export sales of SBCA clients is \$2,519,750
- **Export Sales Increases (SO 1.3.4b)** - Recorded export sales have increased by \$40,000 for 2 SBCA clients.
- **Directly Benefiting Enterprises (SO 1.3.1)** -A total of 632 businesses have been directly assisted by SBCA, including 81 receiving technical assistance, 250 receiving loans and 321 receiving training.
- **Indirectly Benefiting Enterprises (SO 1.3.2)** – A total of 120 businesses have been indirectly assisted by SBCA in Phase 2.
- **Enterprises Applying Marketing Strategies (IR 1.3)** - As a result of technical assistance 20 companies have applied new marketing strategies that will result in measurable outcomes and impact.
- **Enterprises Applying New Technology (IR 1.1)** - New technologies have been applied by 237 SBCA clients
- **Enterprises Applying Management Practices (IR 1.2)** - Improvements in management techniques have been implemented in 13 SBCA clients
- **SBCA Fund Loans Disbursed (Sub IRs 2.1 and 2.3)** - In Phase 2 to date, 73 SBCA Fund loans, to a value of \$1,768,298 have been disbursed. The cumulative loan portfolio (including additional funds leveraged by BKT) reached \$5,633,716 with a total cumulative loan guarantee of \$597,386. Out of the total loan portfolio, 21 loans went to agribusinesses and 52 to non-agribusinesses.
- **SME Fund Loans Disbursed (Sub IRs 2.2 and 2.4)** - SBCA has disbursed 193 loans from the SME Fund to 185 businesses, out of which 45 loans were disbursed during the current quarter. The Phase 2 cumulative loan portfolio stands at \$1,915,643 with an outstanding value of \$1,514,047. Out of the total loan portfolio, 125 loans went to agribusinesses and 66 to non-agribusinesses.
- **Nexus Presentation** - The SBCA COP made a presentation on the SBCA Project at the Nexus Meeting held at USAID on Tuesday, November 15.

- **SBCA Client Web Sites** – SBCA has created web sites for eleven of its clients. Websites will help them with finding foreign markets and/or partners and with increasing their exposure within the domestic market.
- **Branding** – SBCA has assisted 25 clients in designing new logos, packaging and other branding-related items, as a means to increase marketability, product recognition and increased sales.

2. THE REPORT FORMAT

In order to keep the main body of this quarterly report shorter, all annexes referred to in the body of the report have been included in a separate annexes folder. All annex numbers referred to in the report can be found in the separate annexes. A table of acronyms is included at the end of this report

- **Final Year Work Plan** - The SBCA Project is scheduled to end on February 28, 2007. In early February 2006, as SBCA approaches its final year of operation, it will prepare a new work plan. A draft of this work plan will be presented to USAID by March 3, 2006. Once USAID approval has been given, the work plan will be presented, at a workshop, to SBCA's partners, including EDEM, LEAA, ADAMA, FSVC, and its subcontracted partners (PSHM, BKT and BSPs). This process will increase the cooperation between SO1.3 partners, reduce overlap and duplication, and make SBCA more effective in its final twelve months.
- **Future Quarterly Reports** - From Q2, 2005/6, SBCA's Quarterly reports will be prepared in a format that will reflect the specific categories and PMP indicators of the new work plan.

3. SPECIFIC ACTIVITIES

Key Result One: Increasing Sales and Employment in Target Cluster Enterprises

A. STRENGTHEN THE MARKET FOCUS OF BUSINESS SERVICE PROVIDERS (BSPs) AND OF CLIENT BUSINESSES

SBCA has introduced a number of techniques to assist in the development of marketing strategies for its clients. These include product focus groups, a retailer "think-tank" and the appointment of business promoters.

- **Product Focus Groups** – In October 2005, SBCA and the ST Sales and Marketing specialist conducted focus group meetings, in which a sample of Albanian consumers tested jams, extra virgin olive oil, towels, and mussels. In this way, the specialist better understood consumer preferences and the factors influencing the purchasing decision. The meeting showed that participating consumers:
 - Want more product information on labels, especially regarding regional origins;

- Place great emphasis on product freshness and hygienic processing;;
 - Like to try new products; and
 - Do not consider price a major factor in their buying decision.
- **Retailers’ “Think-Tank”** – In October 2005, ten retailers were brought together to share their experiences on selected SBCA client products and to provide feedback to producers on their ideas for improving Albanian products. The result of the meeting was that:
 - Retailers confirmed the focus group’s findings that label information, good packaging design and product consistency take precedence over lower prices; and
 - They all would like to sell more Albanian-produced products but only if they can compete at the same levels of presentation and quality as imported products.
 - **Business Promoters** – As mentioned in the previous quarterly report, SBCA subcontracted seven of its BSPs to employ one business promoter (BP), starting September 2005. A National Sales Agent (NSA) was also directly subcontracted by SBCA. In October 2005, the BPs and NSA received training from both the ST Sales and Marketing Specialist and from SBCA staff. Each BP is responsible for promoting and selling selected products of key SBCA clients in the domestic market. The products sold by BPs are determined by SBCA, in cooperation with the client.

The BPs are taking orders from retailers using SBCA’s specially designed order forms. SBCA is facilitating agreements between clients and BPs that include pricing strategies and rates of sales commissions. Any commission earned is shared between the BP and the BSP where they are based. As part of their work, the BPs also conduct research for SBCA and provide regular feedback on the retail market. This allows SBCA to stay ahead of retail market developments.

In November 2005 alone, after a period of training and client and product orientation, the BPs wrote 60 orders for seven of its producer clients from 60 retailers. SBCA expects BPs to write sales orders for SBCA clients’ products of over \$250,000 in 2006. A summary of the orders taken for SBCA client products is shown in Annex 1 in the separate folder.

- **Database of Retailers** – A sales database to record all directly attributable sales written by BPs for sales orders is under construction and will be completed by the end of March 2006. This will contain demographic data on each retailer plus details of orders written by BPs/NSA. These will be grouped by retailer, client and product. Retailer data will be used in writing marketing strategies and estimating the penetration of client products in the domestic market. The database will be compiled from the sales orders written by SBCA’s business promoters.
- **SBCA Chartered Accountants** – SBCA has learned from its experience working with Albanian businesses that before implementing an action plan for the medium to large sized clients, it is important to accurately know the client’s financial position. Albania has a well-trained and qualified Association of Chartered Accountants (CAs) whose members are some of the only professionals in the country capable of producing quality financial statements for Albanian businesses. In November 2005, SBCA conducted selection interviews for the CAs with whom it will subcontract to provide accounting assistance to SBCA clients. The process was supervised by Steve Tanghe, a Peace Corps volunteer

who had just completed his PC mission. SBCA selected a pool of six CAs who will be used to produce an opening balance sheet, an income (profit and loss) statement, a cash flow statement, and a closing balance sheet for those clients that will receive significant levels of technical assistance from the Project. The statements will be produced using the formats contained in SBCA's standard business plan, described below.

- **The SBCA Standard Format of Business Plan** – As mentioned above, the Chartered Accountants will use the financial statements developed in SBCA's standard business plan. In January 2006, an ST Business Planning Specialist will train BSPs, the selected CAs and SBCA staff on preparing these financial statements. A copy of his SOW is shown in Annex 2. The marketing section of the business plan is being tested, and the historic sales section for selected key clients will be completed by the two ST Sales and Marketing Systems Specialists who will work with SBCA in January and February 2006.

B. DELIVER MARKET-DRIVEN ASSISTANCE TO ENTERPRISES IN TARGET CLUSTERS

A cumulative summary of Phase 2 SBCA assistance (showing the number of businesses receiving technical assistance, loans and training) is shown in Table 1 below. The value of loans is shown under Key Result Two, section A below.

The Project only reports on the client as an SBCA directly-assisted client upon approval of the Action Plan (AP), when a loan has been disbursed, or when training has been delivered. The preparation of an AP, in consultation with the client, is an integral part of the consulting process.

The Project will start collecting and verifying data on the number of jobs created during the next quarter. The first APs were completed during July and August 2005 so SBCA is allowing sufficient time to elapse before it monitors the impact on jobs and sales.

Training delivered to both enterprises and individual participants are outputs, as defined in the required PMP indicators reported to USAID. The categories of training output reported to USAID include assisted enterprises receiving training, and the number of people trained, in: new technologies (Sub-IRs 1.11 and 1.1.2); good management practices (Sub-IRs 1.2.1 and 1.2.2); and marketing strategies (Sub-IRs 1.3.1 and 1.3.2). A summary of SBCA's PMP Indicators reporting requirements (grouped by inputs, outputs, outcomes and impact) is shown in Annex 3.

A summary of all SBCA Phase 2 clients, the services provided and the stage they are up to in the client identification process is shown in Annex 4.

- **Clients Receiving Direct Technical Assistance** – Through December 2005, action plans have been completed for 81 clients. All those clients are shown in Annex 5 with a list of the services received in each panel. Clients are grouped by sector. Summaries of each client's TA and training sessions completed during this quarter are summarized below, also by sector. Selected client successes are shown under sector headings below.
- **Types of Technical Assistance Provided** – SBCA groups, codes, and types of TA it provides to clients fall under three main headings: knowledge of new technology increased (Sub IR1.1); knowledge of good management increased (Sub IR1.2); and,

knowledge of marketing strategies increased (Sub IR1.3). A summary of the types of services offered to SBCA clients, and the number of businesses assisted, is shown in Annex 6. The table also shows the number of businesses that have been, or are, receiving each individual unit of TA. For example, as a result of SBCA intervention, 25 clients have received assistance in introducing branding, 20 are receiving assistance in writing marketing strategies, and 17 have introduced new packaging.

**Table 1 Cumulative Number of Clients Receiving Phase 2
SBCA Technical Assistance, Training and Loans**

Sector / Services	Technical Assistance	Loans	Training
Fruit and Vegetables Cultivation and Processing	23	22	126
Cut Flowers, Seedlings and Ornamental Plants	5	1	8
Bee Products And Processing	6	0	24
Livestock Farming	3	56	16
Grapes Cultivation And Processing	3	1	100
Dairy Products	11	13	3
Olive Cultivation And Processing	5	0	28
Bread and Pastries Production	3	29	0
Herbs and Spices	2	1	1
Meat Processing	5	5	5
Water and Soft Drinks Producers	1	2	0
Other Agribusinesses	3	12	3
Sub-Total Agribusiness	70	142	314
Wood Processing	2	33	0
Construction	2	33	0
Carpet Producers	2	0	0
Giftware Producers	1	1	0
Clothing and Textile Producers	2	10	0
Leather Products	0	3	0
Other Non-Agribusiness Producers	2	15	3
Sub-Total Non-Agribusiness	11	95	3
Wholesalers	0	4	0
Retailers	0	3	0
Input suppliers	0	1	3
Services	0	5	1
Sub-Total Other businesses	0	13	4
TOTAL	81	250	321

C. TECHNICAL ASSISTANCE IN SELECTED CLUSTERS

Results achieved in selected clusters are summarized below for Phase2, i.e. from March to December, 2005. Jobs and sales are only reported after the project has monitoring and verification.

1. FRUIT AND VEGETABLES CULTIVATION AND PROCESSING

During Phase 2, SBCA has provided TA to 23 businesses, disbursed loans to 22 clients and delivered training to 126 businesses. Sales increases to date in this cluster attributable to SBCA intervention are \$209,351.

- **Vasili Shpk** – Vasili Shpk produces a range of food products, which were originally all exported to one customer in Switzerland. During October and November 2005, SBCA recommended the owner introduce his products into the Albanian domestic market, in order to generate regular cash inflows, as the payment terms upon which he had agreed with his Swiss client was leading to cash flow problems. He was also falling behind with deliveries to Switzerland. He has now expanded his production area and employed an additional 20 people. This has also enabled the company to honor their commitments to their Swiss customer. Before the SBCA-BPs were selling their products, Vasili Shpk. had two retailers selling his products, only in Tirana. By the end of 2005, he had 31 new retail customers. As a result of SBCA's intervention, Vasili Shpk. sold more than \$120,000 in the Albanian domestic market in December 2005.
- **Training for Greenhouse Vegetable Producers in Fier**– On November 29 and December 2, 2005, SBCA, through Fier RDA, organized two training events for 29 greenhouse vegetable producers from Goricaj and Kumishtaj, all members of the Lushnja Federation of Farmers. Participants were introduced to new herbicides, which meet EU standards, and which can be supplied by a local input supplier. Water heating systems, which can be installed in the greenhouses in order to protect vegetables against low temperatures, were also presented during the training. Additive recipes, which minimize the effects of salination on land, were also introduced.
- **Fruit and Vegetable Storage Techniques Training in Korca** - On October 27, 2005, SBCA, through Korca RDA, organized a specialized training event in Korca on fruit and vegetables storage and preservation techniques for 16 farmers from the Pojan and Plase Regions. Each participating farmer owns more than one hectare of land and produces 10 to 30 tons per year, making them the main suppliers of fruit and vegetables in Korca. The varieties of fruits and vegetables cultivated included pears, apples, cherries, plums, beans, potatoes, and peppers. Participants also received training in selling techniques and loan application procedures. The training was organized in response to the farmers request for learning about new techniques for prolonging the storage time for fruits and vegetables so they could sell them later in the year.
- **Training Greenhouse Producers in Elbasan** - On October 22, 2005, the SBCA Project, through Elbasan RDA, organized training for greenhouse farmers in Jakodine, Elbasan. Training topics included guidelines on soil preparation and parameters of soil humidity and temperature. Farmers admitted they all produce the same types of traditional vegetables, resulting in an over supply during the harvesting season. They were introduced to the idea of planting new varieties of vegetable (such as broccoli, artichokes, and asparagus) which attract higher prices in the market and can provide a better income. Loan application procedures training was also delivered to participants.

2. CUT FLOWERS, SEEDLINGS AND ORNAMENTAL PLANTS

In Phase 2 of the Project, SBCA has provided TA to five businesses, disbursed a loan to one client and delivered training to eight businesses. Sales increases in this cluster attributable to SBCA intervention are \$20,000.

- **Training for Apple Cultivators in Tirana** – As part of developing a marketing strategy for its client Andon Bllama, SBCA (through Tirana RDA) organized a training event for

13 apple cultivators from the Tirana, Durrresi and Fieri Regions. Topics for the training included the advantages of using selected apple seedlings similar to those produced by Andon Bllama. The training was followed by practical demonstrations at the orchards of Andon Bllama and Lulezim Molla. As result of this training, four farmers bought 1,000 apple seedling from Bllama, at a total sales value of \$4,000.

3. BEE PRODUCTS AND PROCESSING

In Phase 2 to date, SBCA has provided TA to six businesses and delivered training to 24 businesses. Sales increases in this cluster attributable to SBCA intervention are \$10,575.

- **Korca Honey Day** – To promote honey and bee products in Korca, the SBCA Project, through Korca RDA and in Cooperation with the Korca Beekeepers Association, organized the first “Honey Day” event in Korca’s city center. The event was also supported by the local authorities, which provided special permission for 24 beekeepers to set up stalls on the sidewalks and close to the open market. Two of the participants displayed beehives and beekeeping accessories.

Despite bad weather, the event attracted great interest, and, on average, each beekeeper sold 10 to 12 kg of honey. The event was covered by the local media and shown on Albanian National TV.

After the fair, all the beekeepers participated in a training session, organized through Korca RDA, in which they shared their experiences of the day and received training on improving their sales. An important part of the session focused on the prevention and treatment of Varroa disease, which threatens bee colonies. This training was delivered by a professor from Aristotle University in Thessalonica, who had been invited to the event by the Korca Beekeepers Association. We are tracking the sales increase resulting from this.

4. GRAPES CULTIVATION AND PROCESSING

In Phase 2, SBCA has provided TA to three businesses, disbursed a loan to one client, and delivered training to 100 businesses. Sales increases in this cluster attributable to SBCA intervention are \$18,000.

- **Fidal Shpk** – The Fidal Company is located in Zejmen, near Lezha. SBCA provided a variety of services which are listed in Fidal Shpk’s panel in Annex 5. The client started producing kiwi fruit seedlings and sold 2,000 seedlings (valued at \$8,000) as a result of participation in one training event held by SBCA. SBCA introduced new packaging which has helped the client not only to improve the marketing of his products, but also to reduce his costs by 20%. The Project helped the client source the packaging material and designed a new logo that is now evident on the packaging, giving the client a strong brand identity.
- **Shaqir Hani** – The services delivered to Shaqir Hani are in two Phases. In the first phase, SBCA prepared an investment plan which enabled the client to have a more realistic idea of the cost of his proposed new investment. In the second phase, starting in January 2006, the client will start to implement the investment plan. A part of his grape yard will be covered, so that he will be able harvest his grapes earlier than other grape producers.

- **Grape Yard Training in Elbasan** – On October 21, 2006, Elbasan RDA organized a specialized training session on grape yard farming techniques for 18 farmers who are members of the Association of Grapeyard farmers in Shushice, Elbasan. The training introduced the steps for establishing a successful grape yard and techniques on how to prevent infestation of phyloxera, an insect that feeds on the grape yard roots, reduces output and can destroy a whole grape yard. The training included practical demonstrations at a local grape yard, and loan application procedures.

5. LIVESTOCK FARMING

To date SBCA has provided TA to three businesses, disbursed loans to 56 clients and delivered training to 16 businesses. Sales increases in this cluster attributable to SBCA intervention are \$30,000.

6. DAIRY PRODUCTS

In Phase 2 to date, SBCA has provided TA to 11 businesses, disbursed loans to 13 clients and delivered training to three businesses. Sales increases in this cluster attributable to SBCA intervention are \$6,400.

- **Ferlat Shpk** – On November 18, SBCA met with Tetra Pak representative Ferdinand Xhaxha and Ferdinand Ibrahim, the Ferlat Shpk president, to discuss possible co-operation between SBCA and Ferlat Shpk. Tetra Pak has invested in a packaging line for Ferlat's UHT 'Fast Milk' and is interested in assisting Ferlat to increase sales of Fast Milk. In the meeting, it was proposed that SBCA could assist Ferlat in: increasing the milk supply; compiling a marketing plan for 2006; implementing bar coding; and with preparing an organizational chart for the company. SBCA will consult with Land O'Lakes to ensure that it builds upon the work they have already done with Ferlat.
- **Cheese Specialist** – SBCA will bring a cheese specialist to Albania in January 2006. The overall purpose of the mission is to introduce at least 10 new varieties of Albanian cheeses onto the Albanian market. This will mean working closely with up to 10 SBCA clients that have the capacity to introduce new products. The specialist will determine the time that will need to be spent with each client. During the mission, and in parallel, SBCA will develop a unique identity for Albanian specialist cheeses and will have introduced up to ten named varieties of cheese.
- **Arbi Shpk.** – SBCA has assisted the company in the production of a new cream cheese, with newly designed labeling, which will enter the domestic market in 2006.

7. OLIVE CULTIVATION AND PROCESSING

SBCA provided TA to five businesses and delivered training to 28 businesses. Sales increases in this cluster attributable to SBCA intervention are \$60,000.

SBCA is currently working with the best olive oil producers in Albania. Four of them (Shkalla, Musaj, Gjickondi and Kapllani) produce extra virgin olive oil while another one (Aliraj) produces virgin olive oil. Of the above four extra virgin olive oil producers, the

product of Shkalla and Musaj are certified as organic by Bioinspecta¹ and ICEA². SBCA assistance to Shkalla is described below. Assistance to the other olive processors is shown in Annex 5.

- **Shkalla Shpk** – As mentioned in a previous quarterly report, Shkalla Shpk invested €150,000 in a new technology line which was supplied by Peralisi, a leading Italian supplier of olive processing equipment. Shkalla's contract Peralisi specified that their specialist would come to Albania on September 5, 2005 to begin the installation of the new technology so it would be in production by the end of the month and the start of the October collection and processing season. Unfortunately, by early October, the specialist had still not arrived. Meanwhile Shkalla's competitors had already started processing. SBCA, using one of its Italian-speaking SME Advisors, contacted the Peralisi Company. The specialist arrived in Albania three days later, and Shkalla was able to start processing by mid-October. SBCA's intervention saved the business from bankruptcy. It has since produced seven tons of extra virgin olive oil. This production enabled the business to fulfill its contracts with its Swiss client and the Sheraton Hotel in Tirana.
- **Training for Olive Growers in Shkodra** – On November 7, 14 olive growers and processors participated in this training, which was organized in Shkodra by TEULEDA, one of SBCA's subcontracted BSPs.

8. BREAD AND PASTRIES

SBCA provided TA to three businesses and disbursed loans to 29 clients.

9. MEAT PROCESSING

SBCA provided TA to 5 businesses, disbursed loans to 5 clients and delivered training to 5 businesses.

- **Minella Nikolla** – Based on a request from the Credit Committee of PSHM, SBCA sent a specialist to evaluate the conditions needed for one of PSHM's potential clients that wanted to invest in his slaughter house. PSHM's positive loan decision for Minella Nikolla was based on the findings of the SBCA report. The client has agreed to implement the recommendations made by SBCA by early February 2006. The loan is conditional on the client accepting the recommendations.

10. WATER AND SOFT DRINKS PRODUCERS

SBCA provided TA to one business and disbursed loans to two clients.

11. HERBS AND SPICES

SBCA provided TA to two businesses, disbursed a loan to one client and delivered training to one business.

¹ Bioinspecta is a Switzerland-based independent auditing and certification body for organic products.

² ICEA (*Istituto per la Certificazione Etica ed Ambientale*) is the most prominent body in Italy certifying products obtained with organic farming methods.

- **Essential Oils** – SBCA sent samples of thyme essence and juniper oil from its clients to a potential client in the U.K. Unfortunately, the first attempt was unsuccessful, since the thyme essence and juniper were not concentrated enough. However, the clients have produced more concentrated thyme and juniper essences which will be sent to the British company during the next quarter.
- **Mucaj Sh.p.k.** – The SBCA is supporting the company on labeling, catalogues, and a website. SBCA is also trying to find markets for its thyme oil essence in England.

12. OTHER AGRIBUSINESSES

SBCA provided TA to three businesses, disbursed loans to 12 clients and delivered training to three businesses. Sales increases in this cluster attributable to SBCA intervention are \$60,200.

- **Alba-Maja** – SBCA assisted Alba Maja, Albania's only yeast producer, on quality issues and labeling. As a result, the company said it has had an increase in sales to the value of \$35,000. SBCA is assisting in export to Kosovo, cooperating with the KCBS Project to discuss the possible import of yeast.

13. WOOD PROCESSING

SBCA provided TA to two businesses and disbursed loans to 33 clients.

14. CONSTRUCTION

SBCA provided TA to two businesses and disbursed loans to 33 clients.

15. CARPET PRODUCERS

SBCA provided TA to two businesses.

16. GIFTWARE PRODUCERS

SBCA provided TA to one business and disbursed one loan.

17. CLOTHING AND TEXTILE PRODUCERS

SBCA provided TA to two businesses and disbursed loans to 10 clients. Sales increases in this cluster attributable to SBCA intervention are \$10,700.

- **Florjan-V** - DFU completed the implementation of the computerized production control system at Florjan-V.

18. LEATHER PRODUCTS

SBCA disbursed loans to three leather products clients.

19. OTHER NON-AGROBUSINESS PRODUCERS

SBCA provided TA to two businesses, disbursed loans to 15 clients and delivered training to three businesses. Sales increases in this cluster attributable to SBCA intervention are \$122,890

C. BUSINESS SERVICE PROVIDERS PERFORMANCE

SBCA's partner BSP's performance in Phase 2 is shown in Table 2 below. The table shows the number of baseline surveys (BS), needs analyses (NA), and action plans (AP) completed to date. It also shows the number of clients that have received training (TR), and those clients that have been monitored using SBCA's impact monitoring questionnaire (IMQ). The annual sales shown are for AP clients only. A full description of the performance of each partner BSP is shown in Annex 7.

Table 2 SBCA Partner BSP's Performance: March 1 to December 31, 2005.

PARTNERS \ SERVICE	Number of Clients Identification					Annual SALES of AP Clients (00's Lek)	FTE
	BS	NA	AP	TR	IMQ		
ABMC	21	8	8	14	1	14,266,750	144
AIQ	0	0	0	1	0	0	0
Berat RDA	17	8	10	29	0	1,024,630	258
Elbasan RDA	14	10	3	33	0	2,224,411	69
Fieri RDA	9	9	9	26	1	4,881,550	179
Korça RDA	13	9	6	54	3	6,252,870	134
NATC	25	10	11	22	1	4,684,215	184
TEULEDA	29	9	6	15	0	4,041,456	137
Tirana RDA	15	10	10	13	0	6,968,130	133
Vlora RDA	103	22	15	112	0	2,659,868	190
SBCA Project Direct	4	3	12	2	0	1,192,384	48
Subtotal TA Clients	250	98	90	321	6	48,196,264	1,476
SME Loan Fund	0	0	0	0	0	10,909,058	1,162
SBCA Loan Fund	0	0	0	0	0	25,696,392	831
Subtotal Loan Clients	0	0	0	0	0	36,605,450	1,993
TOTAL	250	98	90	321	6	84,801,714	3,469

KEY:

TA	=	Technical Assistance
BS	=	Baseline Surveys
NA	=	Needs Analysis
AP	=	Action Plans
TR	=	Training
IMQ	=	Impact Questionnaire
FTE	=	Full Time Equivalent

N.B. Clients are not recorded as assisted until an action plan has been agreed between the client and SBCA (i.e. after a baseline survey and needs analysis has been completed and approved); they have received training, or they have received a loan from either the SME or the SBCA Loan Funds.

D. CONDUCT AND EXPAND MARKET LINKAGES

SBCA promotes business-to-business linkages that are already resulting in sales for packaging and other suppliers.

- **Euromax (QTU) Supermarket** – The products of Spiro Fuqi (Vasili Shpk.) are now in the Euromax supermarket as a result of SBCA intervention. SBCA assisted the client to establish the contract with QTU through its National Sales Agent. SBCA will introduce a number of its other clients to Euromax once they have reached the required level of packaging and labeling, including bar codes.
- **Bar Coding** – Bar codes are becoming more and more important for Albanian retailers and crucial for exporting. SBCA has already assisted seven clients in obtaining bar codes from GS1 (The Global Standards organization) in Brussels. A further four clients are being assisted by SBCA. Where appropriate, bar codes are being incorporated into new labels designed by SBCA for their clients. The clients assisted, directly or indirectly, in obtaining bar codes are: Ferlat Shpk; Apollon Shpk; Butrinti Shpk; Shkalla Shpk; Vasili Shpk; Tona Company; Sidnej Shpk;
- **Edi Pack Shpk. Cardboard Packaging Producer** – SBCA introduced Edi Pack cardboard packaging to Fidal (seedlings producer), Alba Maja Shpk. (yeast producer), Vasili Shpk. (food processor), and Aliraj Shpk. (olive oil processor). Alba Maja has already purchased cardboard packaging from Edi Pack to a total value of \$400, and Fidal has bought \$650 of packaging materials.
- **Yioula Shpk. Supplier of Glass Packaging**– SBCA introduced Yioula glass packaging to a number of SBCA clients, including Shkalla Shpk. and Kukes honey producers. SBCA clients have already bought bottles and jars to a total value of more than \$1,000.
- **Almar Shpk. Supplier of Plastic Packaging** – SBCA identified a plastic packaging producer in Durres for agribusiness and manufacturing products. Information about the packaging will be distributed to SBCA clients to help them improve their packaging.
- **Sezairi, Supplier of Industrial Workwear** – SBCA introduced Sezairi to a number of its clients and other businesses. These include ALCRED (fruit and vegetables processor), Birra Tirana (brewer), Dafina (wood processor) and Muca Shpk. (herbs and spices exporter). A total of \$5,700 in orders have been generated as a result. (A dispute between Sezairi and ALCRED is in the process of resolution – see Problems Encountered below).
- **Shkelqim Mullali** – This seedlings producer from Korca attended an SBCA training and is receiving TA. As a result of his attending the training in October 2005, Mullali has received \$20,000 of apple seedlings orders from other participants at that training session.

E. COOPERATION WITH SO 1.3 PROJECTS, DCA, AND OTHER DONOR PROJECTS

- **LEAA** – On November 19, SBCA held a meeting with Valbona Ylli from LEAA (Livestock Farmers Association of Albania), in which they discussed a plan to assist suppliers of Ferlat Shpk in increasing the milk supply and producing the company's 'Fast Milk' brand. Ferlat is the first UHT milk producer in Albania. LEAA identified four new

farmers in Lushnja that can supply Ferlat with up to 800 liters of milk a day (Ferlat's current milk supply is three tons a day). SBCA is facilitating discussions between Ferlat and farmers, which will result in long-term contracts. Farmers will supply their milk to Ferlat, which will pay higher prices than the dairy producers that currently buy milk from these farmers. When the contracts are signed, LEAA will be sub-contracted by SBCA to assist the farmers to maintain required hygiene standards, to purchase cooling tanks where milk can be deposited, and to conduct milk testing. LEAA will also assist in identifying new milk suppliers.

- **ADAMA** - On December 14, SBCA met with ADAMA representatives Merita Janushi and the LoL Acting COP, Elena Lindemann to discuss possible co-operation between SBCA and ADAMA and the sustainability of ADAMA by providing business services to dairy farmers. Another potential area of co-operation is in the introduction of new varieties of Albanian cheese and/or the differentiation of existing cheeses for the Albanian market through packaging, labeling, and product quality. SBCA will bring a short-term dairy marketing specialist in January, while ADAMA will provide Drita Decolli, a local cheese technology specialist, who can work together with SBCA clients to introduce new varieties of cheese and/or to improve existing varieties.
- **PSHM Client: Minella Nikolla** – As already referred to above, SBCA provided technical assistance to this client as a condition for PSHM granting the loan.
- **ACIT and SBCA** – An SBCA Scrap Metal Report, prepared by SBCA in 2002, was passed over to ACIT in December 2005.
- **The DCA Fund at Raiffeissen Bank** – On November 17, 2006, SBCA's COP and Credit Development Manager met with Paul Wild (SME Consultant), Evis Celiku (SME Credit Analysis Manager) and Dritan Cela (Training Coordinator) from Raiffeissen Bank to investigate ways to increase cooperation between SBCA and the bank. This included how to establish a new system of referrals for SBCA clients to access DCA funds. SBCA has since received initial information on the terms and conditions of lending from Raiffeissen Bank and will incorporate this into loan application training for its clients.
- **Netherlands Management Cooperation Program (PYM)** – SBCA has arranged for two retired Dutch specialists to work with two SBCA clients for nine days. One of these specialists will come to expand the variety of products for Vasili shpk., while the other one will work at Alba Maja in order to improve the quality of yeast.

Key Result Two: Enhancing Access to Finance for Target Enterprises

During Phase 2, SBCA is continuing its lending programs through PSHM and BKT. The Project will report on all clients in Phase 2, including those clients that had outstanding loans at the end of Phase 1. A summary of outstanding Phase 1 loans for the SME Fund and the SBCA Fund is included under headings A and B below. The distribution of Phase 2 SBCA loans (and loan client sales) is shown by sector in Table 3 below.

A. EXPAND DIRECT LENDING PROGRAM

- **Phase 2 Loan Agreement** – After receiving USAID approval, SBCA signed the Amendment No. 2 Loan Grant Agreement with PSHM on December 1, 2005. The Agreement is backdated so all loans approved and disbursed by SBCA from March 1 to December 1, 2005 will be included under the current contract. The Amendment No.1 Technical Assistance Grant Agreement was also signed on December 1, 2005.
- **Total Number of Loans** – SBCA disbursed 193 loans to 185 businesses during Phase 2, (five clients had two loans). Of these, 45 loans were disbursed during Q1, 2005/6. The average loan size is \$9,495.

Table 3 The Number and Value of SBCA Loans by Sector as of December 31, 2005

SECTORS	Number of SME Fund Loans	Number of SBCA Fund loans	Total loan portfolio (USD)	Total Sales in (00 Lek)
AGRIBUSINESS SECTORS				
Fruit and vegetables cultivation and processing	21	3	225,658	1,622,567
Cut flowers, seedlings and ornamental plants	1	0	9,654	90,000
Bee products and processing	0	0	0	0
Livestock farming	56	2	523,678	1,823,890
Grapes cultivation and processing	1	0	4,827	11,400
Dairy products	10	3	201,385	1,590,675
Olive cultivation and processing	0	0	0	0
Bread and pastries production	24	7	401,810	8,420,682
Herbs and spices	0	1	10,482	547,200
Meat processing	2	3	113,956	5,417,517
Water and soft drinks producers	2	0	13,516	275,000
Other agribusinesses	10	2	146,663	582,840
A. Total agribusiness	127	21	1,651,630	20,381,771
NON – AGRIBUSINESS SECTORS				
Wood processing	24	12	520,070	8,671,308
Construction	24	15	597,041	16,351,570
Carpet producers	0	0	0	0
Giftware producers	1	0	27,998	24,000
Clothing and textile producers	4	6	199,949	1,822,175
Leather products	2	1	39,147	1,898,600
Other non-agribusiness producers	7	8	253,395	4,468,597
B. Total Non – Agribusinesses	62	42	1,637,600	33,344,514
OTHER BUSINESSES				
Wholesalers	0	4	113,148	1,570,339
Retailers	3	1	38,474	807,520
Input suppliers	0	1	25,360	328,240
Services	1	4	163,382	1,765,770
C. Total Other Businesses	4	10	340,364	4,471,869
TOTAL	193	73	3,683,941	59,451,243

- **Shortage of Available Funds** – In order to continue SME lending in Phase 2, PSHM has used \$210,152 from their own funds. The Approval and the signing of the amended contracts on December 1, 2005 will enable PSHM to start using the additional funds approved by USAID by January 2006.
- **Total Loan Portfolio** – The Phase 2 cumulative loan portfolio stands at \$1,915,643, of which \$432,715 was disbursed during the current quarter. The outstanding value of the loan portfolio stands at \$1,514,047.
- **Distribution by Sectors** – Of the total loan portfolio, \$1,209,222 (63%) was disbursed to agribusiness sectors and \$668,301 (37%) to non-agribusiness sectors. The highest numbers of loans (56) were made in the livestock farming sector, which composes 28% of the total lending portfolio.
- **Delinquency** – There are five delinquent clients with over 30 days, for a total amount of \$9,979. This represents less than 1% of the outstanding total loan portfolio of \$1,514,047.
- **Loan Approval Process** – The SBCA's SME Fund at PSHM has greatly increased access to credit for Albanian SMEs. During this quarter, PSHM submitted 57 loan approval requests to SBCA, out of which 53 were approved and four rejected. Of 53 clients approved, 45 received loans and eight are under review. Since the beginning of the project, the total number of PSHM applications for SME Fund loans reached 1,121, out of which 806 were concluded. In 2001, PSHM disbursed a total of seven SME loans. During its four year partnership with SBCA, PSHM has graduated from being a micro-lender to a significant SME loan provider. PSHM has disbursed 307 SME loans (\$3,000 and over) from SBCA's SME Fund loans in 2005 alone.
- **Phase 1 Loans** – There are 166 outstanding loans from Phase 1 with an outstanding value of \$611,113. During this quarter, 52 Phase 1 loans were closed. Out of 166 outstanding loans, 17 are delinquent for more than 30 days. Delinquencies have been reduced from the previous quarter as a result of PSHM's focus on improving collections, although the number and amount of past due loans still exceed that desired by SBCA and PSHM.
- **Written Off loans** – There are 11 write-off clients at the SME Loan Fund for a total amount of Leke 6,288,433 (the equivalent of \$62,878). The status of write-off clients is as follows:
 - One of them (Pranvera Shima) has repaid the whole write-off amount;
 - Two clients, Gezim Kasemi and Simon Ndokaj, have been sent to the Bailiff's Office for execution of collateral (the total write-off amount is Lek 2,392,298); and
 - PSHM has not yet opened a Court Case for eight clients, as it wants to try to recover the full write-off amounts before going to court.

The write-off amount will reduce the loan performance to 97%. A detail report of the 11 write-off clients is shown in Annex 8.

B. EXPAND LOAN GUARANTEE PROGRAM

- **Phase 2 Agreement** – SBCA revised the amendments to the existing loan Guarantee Agreement with BKT to include comments from USAID. A revised copy of the amended contract has been submitted to USAID for approval. SBCA expects to sign the new contract by early February 2006.
- **Total Number of Loans** – During Phase 2, 50 SBCA Fund loans were disbursed to 73 businesses, of which 26 loans were disbursed in Q1, 2005/6. Three businesses have received more than one loan.
- **Total Loan Portfolio** – At the end of Q1 2005/6, the cumulative loan portfolio stood at \$1,768,298, with a total outstanding cumulative loan guarantee of \$468,560. SBCA has disbursed \$350,908 in loans during Q1 2005/6. The average loan amount is \$24,223 and the outstanding guarantee cover is 34.3%.
- **Distribution by sectors** – Of the total SBCA Loan Fund portfolio, 28% went to firms in agribusiness sectors and 72 % to non-agribusiness sector firms.
- **Fund Utilization and Leverage** – BKT has extended \$3,865,418 in additional credit to SBCA clients where the maturity extends beyond the current SBCA Project end date. This credit is 100% covered by BKT. The leverage is shown in Table 4 below:

Table 4 The Leverage Effect of the SBCA Loan Fund

Description	Cumulative Portfolio in \$	SBCA Guarantee in \$	SBCA Guarantee Coverage in %	BKT % Coverage
Loan portfolio including Guarantee Portion	\$5,633,716	\$597,386	10.6%	89.4%
Guarantee Loan Portfolio	\$1,768,298	\$597,386	33.7%	66.3%
Leverage Fund of BKT	\$3,865,418	none	0.0	100.0

- **Availability of Funds** – Since the amended loan grant agreement has not yet been approved, SBCA has not transferred the guarantee funds for all the loans disbursed in Phase 2. As result, the Loan Guarantee Account for Phase 2 has not yet been opened. SBCA has agreed with BKT that the Loan Guarantee Account will be an interest-bearing account as soon as the contract is signed. In addition, once the Amendment No.3 of the Loan Guarantee Agreement is approved by USAID and signed by both parties, SBCA will start to transfer the loan guarantee fund from the Holding Account to the Guarantee Account.
- **Phase 1 Loans** – At the end of Q1 2005/6, the outstanding Phase 1 loan amount is \$94,141, with an outstanding loan guarantee of \$44,254. Out of the Phase 1 portfolio, 90 loans have been successfully closed. Six loans are delinquent with a guarantee cover of \$21,903. BKT has put special emphasis on collecting delinquent loans. In addition (as reported in the previous quarter), only two loans have been written-off (Gjok Gjoni and Shqiponja Shpk.) for a guarantee amount of \$20,200. BKT has commenced procedures

for the execution of collateral. If the full amount is not recovered, the effect will be to reduce the SBCA Fund portfolio performance to 97.3%.

C. STRENGTHEN FINANCIAL PARTNERS

- **SBCA/World Learning Study Tour** – SBCA and World Learning cooperated in developing a study tour on SME lending for BKT and Raiffeissen staff during June 2005. In September 2005, there was a change in the Scope of Work, and Raiffeissen staff were replaced by staff from PSHM. The study tour was held from October 23-30, 2005. The group of participants was composed of six BKT branch managers and 6 PSHM loan officers. A report on the performance of the program and further recommendations was submitted by SBCA to USAID. The program was very worthwhile, and a new platform for the further development of SME lending skills has now been established. Participants have a better understanding of their future skills requirements. As there is already a good skills base among the two participating groups, the challenge for management will be to build upon it and put it into practice at the respective financial institutions.

Key Result Three: Monitoring, Measuring and Communicating SBCA Impact

A. ESTABLISH CHALLENGING BUT ACHIEVABLE TARGETS FOR JOBS AND SALES

SBCA established targets in its work plan. All of those set targets should be reached by the Project end date of February 2007. .

- **Disaggregated Indicators** – A table of disaggregated indicators that can be reported to USAID from the SBCA database is shown in Annex 9.

B. MONITOR AND MEASURE PROGRAM IMPACT AND CAUSALITY

- **The SBCA Database** – Has now been completed and all reports, including those tracking performance and monitoring impact, are produced directly from the database. Reports can be extracted at any time.
- **Monitoring Client Impact** – SBCA has used its Impact Measuring Questionnaire (IMQ) to monitor the impact on six of its clients to date. More IMQs will be completed as an appropriate period has elapsed since the first provision of TA.
- **The SBCA Client Identification and Monitoring System** – The PMP Indicators have been incorporated into the SBCA database and a physical filing system for indicators has been established in the SBCA office.
- **PMP Indicators** – SBCA Phase 2 PMP indicators are shown in Table 5 below. Actual results are shown against targets.

Table 5 SBCA Phase 2 PMP Indicators

PMP Indicators		Phase 2			
		Target Total	Actual to date	Estimated Difference	
Indicator 1	Number of jobs created	2,240	272	-1,968	
SO.1.3.1	Number of self-sustaining private enterprises benefiting directly from USAID assistance	1,500	632	-868	
SO.1.3.2	Number of self-sustaining private enterprises benefiting indirectly from USAID assistance	340	120	-220	
SO.1.3.3 (a)	Value (USD) of sales of Albanian products in domestic markets by USAID assisted enterprises	\$45,000,000	\$84,801,714	\$39,801,714	
SO.1.3.3 (b)	Increase (USD) of sales of Albanian products in domestic markets by USAID assisted enterprises	\$4,600,000	\$2,517,863	-\$2,082,137	
SO.1.3.4 (a)	Value (USD) of sales of Albanian products exported by USAID assisted enterprises	\$900,000	\$2,519,750	\$1,619,750	
SO.1.3.4 (b)	Increase (USD) in sales of Albanian products exported by USAID-assisted enterprises	\$200,000	\$40,000	-\$160,000	
IR 1: Competitiveness Capacity of Assisted Enterprises Strengthened	IR 1.1	No. of assisted enterprises applying new technology	360	237	-23
	Sub-IR 1.1.1	Number of assisted enterprises receiving training in new technologies	-	354	354
	Sub-IR 1.1.2	Number of people trained in new technologies	-	368	368
	IR 1.2	Number of assisted enterprises applying management practice	144	13	-131
	Sub-IR 1.2.1	Number of assisted enterprises receiving training in good management practices	-	28	28
	Sub-IR 1.2.2	Number of people trained in good management	-	52	52
	IR 1.3	Number of assisted enterprises applying marketing strategy that enhance competitiveness	96	20	-76
	Sub-IR 1.3.1	Number of assisted enterprises receiving training in marketing strategies	-	37	37
	Sub-IR 1.3.2	Number of people trained in marketing strategies	-	61	61
IR 2: Access to Credit increased	Sub IR 2.1	Number of Loans from Commercial Banks	100	73	-27
	Sub IR 2.2	Number of Loans from Non-Bank Financial Institutions	200	193	-7
	Sub IR 2.3	Value of Loans from Commercial Banks	\$5,500,000	\$1,768,298	-\$3,731,702
	Sub IR 2.4	Value of Loans from Non-bank Financial Institutions	\$3,000,000	\$1,915,643	-\$1,084,357

N.B. The PMP Indicators shown in SBCA's original Phase 2 work plan are different to those above. The above indicators were introduced by USAID after the work plan was approved.

- **Sales Increases Attributable to SBCA** – A summary of verifiable sales increases achieved by 21 selected technical assistance client companies and 103 loan clients is shown in Annex 10. Sales increases have resulted from SBCA technical assistance and loans. The total sales increase of \$2,517,863 is a conservative estimate as is the estimated \$40,000 increase in export sales. This is because, as the first action plan was only agreed in July 2005, SBCA has monitored relatively few clients. Client monitoring will increase during Q2, 2005/6, which will result in substantial increases in reported sales and jobs.
- **Finding Exports for SBCA clients** – During Q1 FY 2005/6, Anastas Gjikondi supplied SBCA with a sample of olive oil, and Bilbil Cobaj provided a sample of honey, from which to try to locate buyers in Serbia/Montenegro. Anastas Gjikondi already 60 tons of extra virgin olive oil in stock (for which SBCA is trying to find markets), while Bilbil Cobaj has a honey processing capacity of 10 tons a year. A sample of hard cheese (kackavall) from Ilirian Shameti was sent to a retailer in Switzerland.
- **Impact from the closed loans** – From March to December 2005, 209 Phase I loans were closed. Impact for 171 of those clients has been measured based upon information received from PSHM. From this analysis, we calculate that 252 new jobs were created and sales increased \$2,145,746. SBCA will monitor the impact on the other 81 clients that closed their loans during November and December 2005 in Q2 FY 2005/6.
- **Use of SBCA Loans** – The use of the loan, in terms of investment and working capital, is shown in Table 6 below:

Table 6: The Use of SBCA Loans during Phase 2

USE OF THE LOAN	PSHM	BKT	TOTAL
Investment (machinery, buildings, equipment)	157	50	207
Working Capital	31	18	49
Land	5	5	10
TOTAL	193	73	266

C. ENHANCE COMMUNICATIONS, OUTREACH AND COORDINATION

- **Biznesi Newspaper** – SBCA featured in two articles in *Biznesi*. The first, on September 7, 2006 was titled - “SBCA Assists SMEs through Loans.” The second, “SBCA Supporting Agro businesses”, appeared in the November 24, 2005 edition.
- **Monitor Magazine** – On December 7, 2006, an article describing the objectives of the SBCA Project was featured in *Monitor Magazine*.
- **Voice of America** – SBCA was featured on a VOA program that went out in December 2005.
- **USAID Visits to SBCA Clients in Korca** – SBCA staff accompanied USAID’s Stephanie Pepi and Alma Kospiri on visits to SBCA clients in Korca on November 14, 2005. Companies visited include: Atlas 1 Shpk.; the Korca Bee-keepers Association; Shehu Shpk’, an egg producer; and, Balliu Shpk, a marble producer.

- **Referrals to Raiffeissen USAID Guarantee Fund** – SBCA suggested to Apollon Shpk. to transfer the €20,000 loan it has with Pro-Credit Bank to Raiffeissen Bank.
- **Co-operation with EDEM** – SBCA reported in the annual review meeting of the USAID EG team on October 26, 2005 on its co-operation with EDEM. Firms that the two Projects have jointly assisted include: Albidea Shpk., Durres; Pepa Shpk., Durres; Tona Co Shpk., Korca; Erba Shpk., Malesi e Madhe; Isai Shpk., Elbasan; Shkalla Shpk; Amarilto Shpk; and, Sejega Shpk. In January 2006, SBCA is planning to organize a two-day training on Business Planning. Four trainers from EDEM will be invited to participate. SBCA has already informed EDEM.
- **Co-operation with Land O'Lakes** – SBCA is co-operating with two Associations (ADAMA and LEAA) formed under the Land O'Lakes Project.
- **Co-operation with World Learning** – SBCA sent a number of proposal ideas to World Learning. They include: sending a group of SBCA client bio-producers to a European Bio-Products Trade Fair; sending a group of SBCA clients to a European Packaging Trade Fair; sending a group of ten selected SBCA cheese producers to a European Specialist Cheese Trade Fair; sending a group of fruit and vegetable processors to an International Trade Fair; and, taking a group of SBCA's olive producer clients to another European country where they can study alternative products that can be produced from olives.

4. PROBLEMS ENCOUNTERED

- **Sezair and Alcred** – During Q1 FY 2005/6, SBCA introduced Sezair, their client producer of industrial work wear and overalls, to Alcred, a food processing company. Unfortunately, Alcred claimed that the clothes supplied by Sezair had a high shrinkage rate and refused to pay for the order. SBCA is mediating in the dispute which will be resolved in Q2 FY 2005/6 when an acceptable compromise will be reached.
- **Red Pepper Suppliers in Koplik and Alcred** – During Q1 FY 2005/6, SBCA was approached by ALCRED Ltd, the biggest food processing company in Albania, to help in identifying suppliers of red pepper. SBCA conducted research on producers in the Koplik area of northern of Albania. The suppliers could not meet Alcred's requirements for quantity and quality.
- **Client Record Keeping** - As SBCA continues working with its clients in greater depth, it has confirmed that clients continue to keep the minimum records on accounting, sales and marketing, and production records. They have difficulty accepting that they need to employ trained staff to maintain such records. This problem confirms the need for continuing technical assistance in helping them build their internal recording systems and HR skills.
- **Production Orientation** – Albanian businesses continue to be production-oriented and will spend tens of thousands of dollars on equipment. Conversely, they spend very little (if anything) on training their staff to operate and maintain that equipment.

5. ANTICIPATED ACTIVITIES FOR THE PERIOD JANUARY – MARCH 2006

KEY RESULT ONE: INCREASING SALES AND EMPLOYMENT IN TARGET CLUSTER ENTERPRISES

A. Strengthen the Market Focus of Business Service Providers (BSPs) and of Client Businesses

- SBCA will organize a meeting with a group of retailers and supermarket managers from Tirana to identify demand for Albanian specialist cheeses, to collect feedback on consumer preferences for improving existing Albanian cheeses, and to test demand for new varieties of cheese. Information will be used by SBCA to assist its range of 10 major dairy clients improve their products in accordance with consumer preferences.
- The Project will continue to help companies obtain bar codes for their products. Euromax hypermarket has made the use of bar codes a requirement for the purchase of Albanian manufactured products.
- A Honey Day will be held in Vlora with the biggest honey producers in the region. SBCA will assist producers with packaging and labeling. This event will lead to sales, as well as attract local and media interest and bring positive publicity for the Project.
- SBCA will organize another meeting with a group of retailers from Tirana to identify demand for Albanian products and gather feedback on their ideas for improving Albanian products. SBCA intends to hold regular ‘think tank’ meetings of retailers at which SBCA’s client products can be presented to retailers who can offer constructive advice for its producer clients.
- SBCA will continue to refer clients to bottling, plastic packaging and cardboard packaging companies that can help to improve their packaging.

B. Deliver Market-Driven Assistance to Enterprises in Target Clusters

- SBCA will continue to provide market driven technical assistance to enterprises from different productive sectors.
- SBCA will continue to mediate on behalf of its clients to arrange for sales contracts with the QTU hypermarket.
- The Project has identified, in cooperation with the Albanian Institute of Quality, fruit and vegetable processors who are interested in introducing HACCP or EureGAP practices.
- Starting in January 2006, SBCA’s Short Term Cheese specialist, Marc De Carheil, will visit identified cheese producers in order to select those that will participate in producing

10 new varieties of Albanian cheese. These will then be promoted at a special “Albanian Cheese Day” event proposed to be held in May 2006.

- In January 2006, a Short Term Business Planning specialist, David Douglas, will train SBCA Partners’ staff and EDEM trainers in using the SBCA standard business plan. Training will include case studies of business plans for two SBCA clients, Fuqi Shpk and Jeta Shpk.
- Two Short Term Sales and Marketing Systems specialists, Antonio Caldoza and Shannon Sandquist, will work with selected SBCA clients to analyze historic sales with which SBCA will develop marketing strategies.
- Work will begin with a number of companies (including: Butrinti Imp-Exp, Korca Freske, Everest, and Arbi Shpk.) that are interested in implementing HACCP and/or ISO procedures. This will begin in Q1 2005/6.
- The Beekeepers Association has requested assistance in redesigning and publishing their members’ magazine that is circulated to beekeepers throughout Albania.

KEY RESULT TWO: ENHANCING ACCESS TO FINANCE FOR TARGET ENTERPRISES

A. Expand Direct Lending Program through PSHM

- SBCA will work with PSHM on adapting the SBCA standard format business plan for use with PSHM agricultural clients.
- PSHM and SBCA will revise the technical assistance budget to transfer part of the unused travel budget from travel to direct technical assistance.
- SBCA will work with PSHM to improve PSHM clients’ access to SBCA technical assistance.

B. Expand Loan Guarantee Program

- BKT and SBCA will sign the No. 3 Loan Agreement, for the additional \$250,000 guarantee funds, in Q2 FY 2005/6.

C. Strengthen Financial Partners

- SBCA will review the possibility of providing further HR technical assistance to PSHM and establishing sector benchmarking at BKT.
- PSHM and BKT staff will participate in the Business Planning training that will be held in January 2006.

KEY RESULT THREE: MONITORING, MEASURING AND COMMUNICATING SBCA IMPACT

A. Establish Challenging but Achievable Targets for Jobs and Sales

- SBCA will continue to increase sales by means of technical assistance, training, loans and business to business linkages.
- As already mentioned under the Report Format section above, in February 2006, SBCA will conduct a work plan workshop to present its new work plan to partners and stakeholders after approval from USAID.

B. Monitor and Measure Program Impact and Causality

- SBCA will continue to measure impact for Phase 2 during Q2 2005/6 using a standard impact measuring questionnaire.
- The Project will also monitor results for clients that have closed both Phase 1 and Phase 2 loans

C. Enhance Communications, Outreach and Coordination

- SBCA will add to the eleven client web sites it has already completed for clients. Web sites will be linked to the main SBCA web site.
- SBCA's 2006 brochure will be available in Q2 2005/6.
- SBCA will prepare success stories from among its most successful clients for review by USAID.

6. QUARTERLY FINANCIAL UPDATE

Quarterly Financial Updates

Person Days

Note: Projected Person-Days in this table have been revised to reflect plans for Phase II of project.

Name	Arrival/Departure Date (Expat/TCN) Hire/Termination Date (Local)	Person Days to Date	Projected Person Days
Jeffrey Houghton (Chief of Party – TCN)	March 20 – present	895	299
Arjana Xhafa (Credit Manager and SME Advisor– Local)	April 22, 2002 – present	882	302
Klodian Deliallisi (Office and Finance Manager – Local)	March 1, 2002– present	864.5	302
Elona Basha (Trading Manager and SME Advisor– Local)	March 5, 2003– present	677	302
Andi Stefanllari (BSP Manager and SME Advisor – Local)	June 2, 2003 – present	586	302
Erald Kanini (SME Advisor– Local)	March 27, 2002– present	892	302
Hermiona Kali (MIS/Monitoring Specialist – Local)	May 2, 2005 – present	165	302
Eric Howell (Director – Home Office)	March 2005 – present	15	8
Suzanne Savage (Sales Training Specialist)	September – October 2005	29	0
James Riordan (Competitiveness Expert – Home Office)	March – April 2005	7	0
Karen Potter (Marketing Strategy Specialist)	November 22 – present	19	11
William Taylor (Procurement Agent – Home Office)	April 30, 2002	4.02	2
Various Short Term Technical Advisors (SOW TBD)	September 2005 – February 2007	6	311

Table of Acronyms used in this report:

ACIT	Albanian Center for International Trade (USAID)
ADAMA	Albanian Dairy and Meat Association (Land O'Lakes)
AP	Action Plan
BKT	<i>Banka Kombëtare Tregtare</i> , National Commercial Bank, partner on SBCA Project
BP	Business Promoter
BSP	Business Service Provider
CA	Chartered Accountant
COP	Chief of Party; the chief project manager on a project
DCA	Development Credit Authority, a tool used to issue partial loan guarantees to private sector lenders to advance USAID Mission strategic objectives through financial leverage
EDEM	Enterprise Development & Export Market Services (USAID)
EurepGAP	Euro-Retailers Produce Working Group's global partnership for safe and sustainable agriculture, Good Agricultural Practices
FSVC	Financial Services Volunteer Corps (U.S.-based, non-profit, private-public partnership)
GMP	Good Manufacturing Practice quality system regulations
HACCP	Hazard Analysis and Critical Control Point standards on food safety
HR	Human Resources
IR	USAID Intermediate Result
KCBS	Kosovo Cluster and Business Services (USAID project in Kosovo)
LEAA	Livestock Entrepreneurs Albanian Association (Land O'Lakes)
LoL	Land O'Lakes
NSA	National sales agent
PC	U.S. Peace Corps
PMP	Project Management Plan
PSHM	<i>Partneri Shqiptar per Mikrokredi</i> , Albanian Partner in Micro-credit for SBCA (USAID-funded)
RDA	Regional Development Agency, a non-governmental organization
SBCA	Small Business and Credit Assistance project in Albania (USAID)
SME	Small- and Medium-Sized Enterprise
SMS	Strengthening the Marketing of Small Ruminants project (UNDP)
SO	USAID Strategic Objective
ST	Short-term (especially with regards to consultants)
TCN	Third-Country National (i.e.- neither from the United States nor the local host country)
UNDP	United Nations Development Programme
USAID	U.S. Agency for International Development
VOA	Voice of America, the official broadcasting service of the U.S. Government