



# USAID | KOSOVO

NGA POPULLI AMERIKAN  
OD AMERIČKOG NARODA

## QUARTERLY REPORT QUARTER ENDING: 31 MARCH 2006

### KOSOVO CLUSTER AND BUSINESS SUPPORT PROJECT



14 April 2006

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

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Kosovo Cluster and Business Support project: "Quarterly Report for Quarter Ending 31 March 2006"  
Contract No. AFP-I-00-03-00030-00, TO #800

This report submitted by Chemonics International Inc. / 14 April 2006

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## EXECUTIVE SUMMARY

In the past year, KCBS made many recommendations on all aspects of successful farm management. These included improvements to ensure the health, hygiene and housing of stock, further work on feed rations mixes and silage, and introduction of record keeping at the farm level. Work in this quarter concentrated on ensuring the recommendations flowed down to the smaller farms, which STTAs are unable to visit during their short assignments. KCBS also addressed ways to ensure that all farms, large and small, maintained the improved practices once introduced. A KCBS initiative to address these challenges by engaging on behalf of the milk producers' association, KAMP, two dairy specialists [one, solely for the minority area farms], provided an outreach program to a wider constituency of Kosovo farmers. By this quarter end, they had registered 532 dairy farmers with more than 5 cows in their database; and training been given to 176 farmers at farms visited.

KCBS contracted a reproductive tract health specialist to examine the health of reproductive tracts of dairy cows at 25 commercial dairy farms comprising a total of 973 cows. The majority of these farms are using bulls to breed their cows. The specialist advised dairy farms about possibility for transmitting infectious genital diseases from bulls to dairy cows, while informing them of the benefits of using semen from high quality proven bulls via artificial insemination. In addition to 10,000 straws of semen of the Simmental breed imported from Swiss genetics, 4,000 units of American semen from bulls noted for calving ease were imported and 400 doses of the US semen have been sold to 16 clients. The importer is also maintaining the semen storage tanks of the dairy farmers and veterinarians with liquid nitrogen. To improve milk production and profitability our client farmers are being advised to use proven quality bull semen.

KCBS developed new dairy products for several dairy plants. The products included gouda, cheddar, cream cheese, feta, mozzarella and ricotta cheeses, stirred set yogurt, and cream. Technology requirements were prepared for each new product, revised workflows organized the processing lines more efficiently, and quality control procedures were introduced. At one client dairy, assuming it produced only white cheese, it would have an additional 43,800 kg of white cheese for sale, an increase in income of €87,600 in one year at no extra cost. The new cheeses were publicized at several Dairy Marketing Promotion events around Kosovo with full media coverage.

KCBS organized meetings between the Veterinary Services of Kosovo, Bosnia, and Macedonia and ensured all preconditions for lifting the ban on export lambs to Bosnia were completed. It is now up to the BiH Counsel of Ministers to approve imports from Kosovo as an exception to the BiH law on the import of live animals from a country not declared free of several specific diseases by the World Organization for Animal Health [OIE]. In February 2006, KCBS organized a meeting with the Veterinary Services in Macedonia to discuss the possibilities of exporting lambs to Macedonia. Good cooperation was expressed on both sides to work on the problematic technical issues. However it was quite obvious that Macedonia will adhere strictly to EU guidelines as they begin talks for EU accession. KCBS provided a training program for 100 sheep farmers in 8 municipalities regarding health management practices. Additionally KCBS has prepared a brochure for sheep farmers regarding sheep health management practices in both the Albanian and Serbian languages. The brochure covers the topics of how to prevent sheep diseases, treat diseases, and recommended annual vaccination programs for sheep and lambs.

KCBS worked with crop producers and farmers' associations on parameters such as soil preparation, selection of the proper hybrid/variety, planting methods, fertilizers used, crop protection and harvesting. Training sessions were held in several locations for farmer associations on the new oil crops. These included soybeans, canola, sunflower, as well as the new hybrids of maize, alfalfa and red clover being promoted by KCBS based on last year's results from field trials. More than 85% of all farmers that participated in the

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previous soil testing project have used the recommended fertilizer formulations based on the soil test analyses; this has lowered their production costs.

Previously reported KCBS activities with US Poultry & Egg Export Council regarding Avian Influenza were transferred from KCBS to the local association, SHPUK. Despite all the problems in poultry industry related to the pandemic, this quarter saw an increase in egg production and consumption of 25% compared to previous quarter. Unfortunately in the last week of March, a 50% drop in consumption and sales was recorded. KCBS and SHPUK are monitoring development in poultry industry and exploring ways to regain the trust of consumer shaken by bad media coverage. KCBS has continued working with the feed milling industry to enable them to produce the least cost poultry feed rations. These have had a dramatic effect making local egg production far more price competitive. The computer feed formulation programs were given to SHPUK who have continued installing them at all major poultry producing operations and have given individual training on how to use the programs. A major feed dealer, Fauna, imported more than 500 tons of soybean meal from US giant, Cargill, Greece, and in March purchased 600 tons of soybean meal from US STR Company, which was imported through port of Koper in Slovenia and transported thence by rail. Fauna also made their first contractual agreement with Cargill for sunflower meal.

KCBS made significant progress in developing and implementing contract growing for the 2006 vegetable season, and in establishing confidence and trust between the contracting parties. Negotiations were started and will continue for the next few months. KCBS prepared a draft form of contract, which was reviewed line-by-line by processors, associations and growers, and adjusted to the parties' satisfaction. The contract stated size, quality, price and delivery time. Growers have agreed in principle to work with contract production this year and will organize their activities accordingly. Products and vegetables that will be grown or harvested under contract include potatoes, tomatoes, peppers, forest mushrooms, blueberries and juniper berries; there was also very strong interest from growers to start producing cauliflower, broccoli and green beans for processors. Contracts entered into to date cover 11,000 tons of vegetables, approx. value €1.5 million, of which 51% are for export to Albania. As a caution, it must be noted that there is no enforcement mechanism for these contracts in Kosovo, and the success of this approach will only be gauged at the end of the season. Sales of dried blueberries and dried rose hips were made to regional markets. Over seven tons of dried blueberries, equivalent to 55 tons of fresh blueberries, have been sold to EU market; and sales of over 15 tons of dried rose hips equivalent of 45 tons of fresh rose hips, and more than 20 tons of dried juniper berries, have also been sold in the regional market. Apple growers put into practice the post-harvesting advice KCBS gave last fall regarding improvements in stored fruit quality as well as improvements in storage rooms and temperature management. Growers informed KCBS they had sold their apples faster and at better prices compared to previous year.

There has been significant progress since the beginning of January 2006, towards development of the Korenica and Ukaj facilities for the production of engineered wood flooring exclusively for Swedeco Flooring, Inc. to sell into the American/Canadian "Big Box and DIY or Do-It-Yourself" markets. KCBS has provided project oversight on a daily basis. At present, primary attention is focused on Korenica, since the Xerxe facility is complete, with the exception of the roof, building and office renovation process. Products for immediate production have been defined; basic pre-operations cost analyses have been completed; plant and machinery layouts have been completed for each company based on intended equipment purchases; building construction or retrofit has been discussed in detail with each owner; sources for raw materials have been identified and contacted for commitments; operation and training manuals have been prepared; arrangements have been made with local Kosovo institutes to provide in-plant training in processing techniques, health and safety matters, and maintenance procedures.

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KCBS engaged an STTA to assess and recommend upgrades in the production of asphalt to the level of European Asphalt plants. As a follow up, 11 representatives of asphalt plant producers from Kosovo will attend a USAID's World Learning program in Berlin in May at Teltomat - Asphalt plants manufacturing factory. KCBS worked during the quarter with recently privatized SOE production plants making concrete blocks, quarrying and manufacturing rebar. Several problems were addressed: delays of months in the privatization process resulting from a backlog in UNMIK Pillar I's background checking procedures; failure to implement a bilateral transportation agreement that will allow trucks with Kosovo license plates and railways to transport directly to/from Greece; absence of working capital to start operations once the initial purchase of a former SOE has been completed; and lack of a secure and consistent power supply. KCBS provided training and advice to new owners of SOEs in forming Joint Ventures [JV] or Strategic Alliances [SA] as a potential basis for economic growth. 30 participants representing leading companies in construction industry such as road construction, asphalt and concrete production, residential buildings, and wood industry attended a Workshop on the subject in March. Two marble companies from Italy, POGGI and CHIRARDI, confirmed visits to prospect the decorative stone opportunities in Kosovo, but visits were postponed due to the bad weather in the quarter. They now plan to come in May.

The close working relationship developed between former rivals, Kosovo Chamber of Commerce [OEK] and the Alliance of Kosovo Businesses [AKB] during the Private-Public Dialog process held as together this quarter they launched a series of public meetings on developing formal steps to implement selected recommendations. As part of the U.S. Association Study Tour in February, participating association leaders were introduced to several independent, self-financing association operated products, process, and organizational standards programs. Following the Tour, the attendees agreed to hold monthly meetings to be hosted by each association that participated. Other associations will also be invited to attend. They have agreed to form an Association Advisory Council which will work with government agencies to collect, elaborate and address the associations' common issues such as fiscal and financial policy, quality standards, law development and enforcement. At their own initiative, business service providers in Kosovo founded an association, the Business Consultants Council (BCC). Nine meetings were held in the quarter at which KCBS played a moderating role. The group also agreed to establish the Business Service Quality Institute, which will take care of the certification and quality aspects of the business services, under the umbrella of the Council. KCBS is well pleased with this significant development in the business environment.

The associations of the first round of grants, KAMP [milk producers], SHPUK [poultry industry] and AKA [agribusinesses], submitted their first quarterly reports. After paying no attention to recruiting members or collecting dues in the first quarter of the grants, KCBS directed them to be more aggressively focused on increasing the membership and collection of membership dues. KCBS continues to have serious concerns on the performance of the APWK management and board following an audit of its financial operations in March, which identified several problems. KCBS seriously doubts that this association has the financial resources, the management capacity, or the board commitment to meet its strategic goals for 2006.

KCBS conducted an analysis of the November 2005 Finance Fair's impact on attendees. Through three focus groups that included representatives of financial community, borrowers from business community, and business service providers, respectively, KCBS reported that while most considered the Fair a success, several improvements were recommended including: moving to a larger facility; making payment and participation in the workshops more transparent and more informed; and shifting more of the costs to the finance institutions. To prepare for the next Finance Fair in October 2006, KCBS presented to the Kosovo Bankers Associations (KBA) and the Association of Microfinance Institutions of Kosovo (AMIK) a detailed Master Planning Checklist (MPC) covering nine months leading up to the next Fair. Through the SCAAK/PIRAMIDA project to harmonize the financial record-keeping practices in the minority regions with the rest of Kosovo, six of

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Piramida's trainers successfully finished training and became competent in the area of accounting practice and actual tax regulation and public lecturing. These trainers started to educate other accounting professionals in minority regions; during this quarter Piramida finished the first round of accounting trainings in Mitrovica with 9 participants and in Gracanica with 11 participants.

KCBS coordinated with EAR regarding the current status of the standardization and administrative agencies in Kosovo, what needs to happen next, and how KCBS can use these agencies to advance quality and health standards in its clusters. EAR remain the prime movers of the standardization process. KCBS made several important regional contacts. Team members participated in meetings of Agricultural Committee of U.S. Embassy for Serbia and Montenegro in Belgrade. Cooperation was established with USAID counterpart projects in Serbia, Montenegro and Macedonia (SADA, SEDP, MCA, and Mercy Corps). Several opportunities were identified for further cooperation including standards development, piggybacking on distribution channels, and combining marketing efforts.

KCBS has awarded during the project 37 fixed price subcontracts [30 completed], 15 simplified grant agreements [2 completed] for a total award of €735,368; of this, €486,444 has been disbursed.

In comparison with the first two quarters of the baseline year, numbers at enterprises where KCBS has intervened in the first two quarters of 2006 are:

- An increase in the value of the sales of €10,615,581.
- An increase in employment of 145 new jobs
- An decrease in capital investment of €279,035
- An increase in the value of the financing of €805,275

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

## 1.0 WORK PLAN RESULTS ACHIEVED

### 1.1 Projected Results Achieved

In the Work Plan for Year Two, ending 30 September 2006, there were a number of Projected Results defined, which were to be achieved in the first year. During the past quarter the following results were achieved as scheduled:

- Commercially import 10,000 straws of high quality semen. *[completed early]*.
- Submit to MAFRD standards and testing procedures for raw milk and final dairy products.
- Test two new feed grain products produced – example: Pelletized feed grains and Full Fat Soybean meal. *[Test initiated by planting – results won't be available till the fall]*.
- 100% of domestically commercially produced and imported eggs are within the MAFRD regime for testing and grading system.
- SHPUK to develop a feed products price list for the feed mills and cluster members
- Draft remaining regulations and policies affecting the poultry industry and submit to MAFRD *[completed early]*.
- Market share of locally produced eggs increased by 20%. *[completed early]*.
- At least 15 forward purchase contracts between domestic producers and processors or wholesalers for fruit and vegetable products such as peppers, green beans, tomatoes, melons, potatoes, okra, cucumbers, etc. *[see Table I in section 6.1 of Report]*.
- At least 2 new Kosovo value-added products be developed with export potential. We expect these may include frozen mixed vegetables, frozen peppers, etc. *[Actually dried blueberries and dried rose hips]*.
- EN standards for cement, aggregates, and reinforcing steel disseminated to engineering community and in general use. *[Standards were given to Kosovo Standardization Agency, but dissemination to engineering community is now under the guidance of EAR and its standards compliance with EU regulations]*.
- At least one domestic producer of waste containers selling to replace imports *[Lamkos]*.
- Conduct Finance Workshop focused on helping banks create new products around long term assets. *[This took the form of the Joint Venture Workshop and assistance to five groups contemplating forming JVs]*.
- Conduct study tours in US and EU markets to demonstrate functioning models of Association Management firms. *[First study tour to the US was completed; second part, to EU country, will be delayed to next quarter]*.
- Conduct three meetings to foster regional association cooperation. *[Two meetings were held as scheduled – the third is scheduled for next quarter]*.

### 1.2 Projected Results Not Achieved

The following results were not achieved as scheduled:

- A “model” business plan developed for commercial dairy operations and privatization of SOE's.

*A Scope of Work was issued to the EAR for implementation under their Voucher scheme at the beginning of the quarter. Unfortunately, this scheme was already fully subscribed. KCBS will resurrect the SOW under an extension of the Voucher scheme, which is now being partially funded by USAID.*



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- Random feed testing conducted by 100% of local feed millers and all imported feed grain products.  
*SOW is finalized and the random feed testing will start middle of April.*
- Implement marketing campaign for Kosovo fresh lamb meat into regional markets  
*KCBS has helped implement and facilitate discussions between the Veterinarian Agencies of both Kosovo and Bosnia Herzegovina, which appears likely will result in the export of live lambs to BiH this year. Until approval for such exports is given, there is no point in prosecuting further a marketing campaign.*
- SHPUK standards for egg quality established and accepted by a majority of domestic producers.  
*ADMISTRATIVE INSTRUCTION MA – No. 20/05 has set the governmental minimum standards. SHPUK under the Strategic Action Plan has the Seal of Quality Goal that will define the poultry industry standards. Acceptance of these will be sought in the next quarter.*
- Maximize the production potential of the Silcapor plant by addressing production, quality and manning levels.  
*There was virtually no production in the extremely cold second quarter. Negotiations for technical assistance from the Slovenians stalled as they requested outrageously high rates. KCBS will search for a STTA to evaluate realistic needs.*
- Action Plan developed for acquiring necessary testing facilities to ensure standards for essential construction materials are enforced; and
- At least one testing laboratory established for testing of essential construction materials; and
- Financing for €0.5 million for testing equipment obtained to support the monitoring of quality production of essential construction materials.  
*The above three results have been delayed by interactions with the EU standards program and its work with the KSA. However, in the next quarter, an STTA will come to Kosovo to develop an action plan. Several private investors have indicated interest in setting up a testing laboratory, and construction related associations are also interested.*
- Draft NGO Law more favorable to fee-for-service activity  
*At USAID's direction, further pursuit of this goal was suspended.*

## **2.0 DAIRY SUB-CLUSTER**

### **2.1 Dairy cattle housing**

Closed barns are predominant housing type in Kosovo. Most of the cows are kept in the stanchion confinement. Most of the barns are of inadequate size for the relevant number of the cows kept. General conclusion regarding the barn hygiene is that it is one of the biggest problems in milk production. The majority of cows from the total number of farms visited were dirty on udders, flanks and tails. The barn floors and bedding were damp and dirty while the walls and ceilings in most of the farms are dirty and with high moisture. Few farms had clean and dry walls.

During this quarter KCBS made several visits to identify the dairy farm that could potentially meet housing and management standards to become a model dairy farm, which interested farmers from all Kosovo could visit to see how a modern, productive dairy farm should look. KCBS identified 3 dairy farms that could become a potential model dairy farm. In a village Korenica, an Italian NGO Prodox has built a model dairy farm for demonstration purposes. Even though the dairy farm has incorporated some modern principles in its design, the dairy farm has ownership problems and farm management is very poor. Biolab did demonstration hoof trimming of the dairy cows and trained them in proper feeding of their dairy cows to improve cows' performance. The other two dairy farms don't have ownership issues or management problems, but they need additional investment to become a model dairy farm. In the next quarter we will identify a farm that could become a model dairy farm.

KCBS will develop a training module for general dairy farm planning principles that will show farmers how a profitable, commercial dairy farm should be designed and operated.

### **2.2 Forage quality**

The key to a good feeding program for high milk production of dairy cows is to feed them forages that are of high quality. The key to producing high quality forage is the time of harvest; as forages mature the amount of fiber increases and the amount of protein and total nutrients decrease resulting in poor performance from the cows. A substantial increase in the amount of milk produced per cow can be achieved just by harvesting the forage earlier.

One of the biggest limitations on the growth and development of the dairy sector of Kosovo is a lack of knowledge to prepare good forages. There is a positive correlation between feeding quality forage and high milk production. KCBS has continued to emphasize the importance of harvesting forages at the proper stage to get the most nutrients possible from the forage and more milk from the cows. "Biolab", a private dairy consulting firm has been contracted by KCBS to implement the MPIP [Milk Production Improvement project] project. They have organized trainings on production of high quality forages using Dr. Undersander's recommendations. During this quarter 60 dairy farmers have been trained in the selection of proper hybrids and agronomic techniques for corn silage production. Because silage bunkers impact the quality of the silage, KCBS will produce and distribute to dairy farmers a brochure on how to construct a least cost silage bunker.

### **2.3 Balanced rations and improved feeding**

By working with specific dairies (large, small, intermediate) KCBS has demonstrated that improved feeding programs will elicit more milk along with a profound economic impact within a week of implementation of the new rations. Through MPIP project 60 dairy farmers have been trained at their farm on how to mix different feeding ingredients to prepare improved concentrated feed that will meet nutritional requirements of the dairy cows at least cost. As a result of this on-the-job training, milk yield has increased an average of 3 liters/cow/day. KCBS continued to emphasize the importance of using premixes in the daily ration. Demand for dairy premix produced based on Dr. Roy Chapin's formulation is increasing steadily. Fauna has already sold 3000 kg of dairy premix at 1.20 Euro/kg. The

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new dairy premixes that are available in the market consist only of vitamins and major and trace minerals. The farmer needs to add limestone and salt to these premixes. Fauna will soon start to mix this type of premix with limestone and salt to make a ready to use premix for farmers.

### **2.4 Reproduction health**

One of the major causes of lost income to the dairy producer is the poor reproductive performance of his dairy herd. Reproductive efficiency and dairy farm profitability are maximized when the average calving interval for a herd is around 13 months. Although most farmers think they understand the management criteria regarding reproduction, they truly have no concept of the importance of achieving the target goals. Target goals to first breeding should be 45 to 60 days and target for days-open should be 60 to 80 days. Information obtained during farm visits showed that average days open currently is 202 days, so adding the gestation period of 283 days to days-open results in a calving interval of 485 days or 16 months compared to a target of 13 months for lactating dairy cows. Many dairy farmers ignore reproduction entirely for five months after calving, thinking that with one service after calving cows are bred without doing pregnancy checks. KCBS has contracted a reproductive tract health specialist to examine the health of reproductive tracts of dairy cows at 25 commercial dairy farms including 973 cows total. He will conduct rectal pregnancy checks, find the open cows, and use artificial insemination [A.I.] to breed them through a synchronized program. The majority of these farms are using bulls to breed their cows. The contractor will advise dairy farms about possibility for transmitting 7 infectious genital diseases from bulls to dairy cows while informing them of the benefits of using semen from high quality proven bulls via A.I.

This assignment is aimed at promoting regular post-partum exams at 10 to 20 days to minimize the frequency of endometritis, which is currently devastating the reproduction efficiency in Kosovo dairy herds. It is also intended to motivate farmers to switch from natural service to A.I. KCBS in cooperation with a contractor will prepare a brochure explaining the benefits of A.I. for Kosovo dairy industry.

### **2.5 Calf rearing**

Good management is essential to raising healthy calves. Reducing death losses of newborn calves to less than 5% and raising strong, healthy heifers large enough to breed at 14 to 16 months of age are sound management objectives that will greatly influence the profitability of the Kosovo dairy industry. Calves stunted from underfeeding or diseases will not develop into healthy and profitable cows. Good calf-raising practices include proper feeding, bedding, sanitation, ventilation, prevention of health problems, pertinent vaccinations, and close daily observation.

KCBS is starting a calf and heifer breeding program to provide advice on proper heifer management with the aim of developing within two years high quality heifers with superior genetic capabilities that are acclimated to Kosovo at less cost than imported livestock.

KCBS together with STTA Mr. Tom Dobler visited several targeted dairy farms to see if we could determine interest in the importance of raising calves. These farm meetings proved successful in that five farms displayed intense interest in calf and heifer raising improvements. The cow numbers of these farms will result in approximately 120 calves being raised.

To initiate proper health and growth of calves, the environment of housing facilities must be improved. The current method of placing the baby calves in a group pen located in an unused portion of the cow barn is contributing to respiratory health problems and slow growth rates. This is placing a financial burden on the farms simply because few calves survive to enter the milking herd. Those calves that do survive perform at reduced growth rates and therefore the time-spent between birth and coming into production is delayed several months. Every day of delay is an expense to the farm.

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Therefore KCBS recommended the introduction of individual calf hutches as an economical way of reducing the diseases the calf is exposed to and thus reducing death loss. In the next quarter calf hutches will arrive and be distributed to selected farms.

### **2.6 Genetic improvement**

The year two goal of purchasing 10,000 straws of bull semen has been achieved. Fauna has imported 10,000 straws of semen of the Simmental breed from Swiss genetics. Additionally the 4,000 units of American semen from bulls noted for calving ease are now available for sale.

A major cause of the inferior reproduction performance found today is a result of a large number of difficult births that are taking place on the farms. There are several factors contributing to this. However, the major factor is failure to select semen from bulls known to sire calves that are delivered easily (calving-ease sires). Prior to the arrival of the American semen, this was not an available option. In fact, the primary selection process used was for breed.

With the arrival of the American semen, the farmers not only have the choice of calving ease semen, but also have a choice concerning over 30 different body characteristics that contribute to healthy and profitable cows. All of the bulls available through this initial shipment have a positive milk increase ranging from +81.8 kg to + 685.9 kg per lactation for the daughters. The US proven bull semen will have both a short impact on getting new practices started on the farms, while the long term impact will be better cows three years from now.

During this quarter Fauna has sold 400 doses of the US semen to 16 clients. Fauna also maintained the semen storage tanks of the dairy farmers and veterinarians with liquid nitrogen. Fauna expects that the next order of the US semen will happen during this summer. During this quarter Fauna also sold 9783 doses of semen from other suppliers with a price of 1.5€. To improve milk production and profitability farmers are being advised to use proven quality bull semen.

### **2.7 Farm records**

Records are the road map for successful dairy operations. If you don't measure it, you can't manage it. An STTA Dr. Silver introduced an excel spreadsheet system last December which is utilizing college students to gather reproduction and production data from 8 dairy farms; the program will end on June 12. Three months production and reproduction data enables us to determine where the critical issue is in the reproductive sector that needs immediate attention. Data suggest that the education level concerning heat detection, pregnancy confirmation, and breeding technique is very low. The results showed that days open and service period are much too long to meet satisfactory reproductive performance. The fact is that it takes time for the farmer to actually see financial returns from any record system. Thus it is suggested to extend the program to gather reproduction and production data via a new Dairy Herd Improvement (DHI) record system.

This system has been installed at KCBS and data from the spreadsheets from 8 farms will be entered during the next quarter with the intention of enrolling additional herds. The primary project goal of DHI record system is to develop a sustainable system for providing dairy herd milk production, reproduction, health, and economic management information and advice to commercial dairy producers. It will also provide industry information for economic analysis and scientific research.

KCBS and MTI discussed arrangements for contracting a private service provider to create a model business plan for commercial dairy farm through utilizing the EAR vouchers scheme project to fund preparation of dairy farm model business plans.

## **2.8 Milk quality improvement**

KCBS and Devolli contracted the IBH company to implement a one month training program for dairy farms on milk quality improvement in order to increase milk quality for 6 milk collection centers and 60 dairy farmers. Main topics of the training included production of quality milk, storage of milk, transportation requirements, milk hygiene and milk testing techniques. The California Mastitis Test was introduced to aid in the detection of sub-clinical mastitis as well as tests for fat content and acidity. Milk processors are seeing the results of training provided by KCBS on milk quality improvement at the farm level. For example Rona and Ajka dairy processing plants have lowered their conversion rates for producing white cheese by 1.5 liters of milk. Furthermore, Rona is collecting an average of 4000 liters of milk per day. Prior to the KCBS sponsored interventions on their supplier's farms they produced 530 kg of white cheese daily. After the interventions they are now producing 650 kg of white cheese daily. Assuming that throughout the year Rona would produce only white cheese they would have an additional 43,800 kg of white cheese for sale. In monetary terms at a sale price of white cheese of €2/kg sales, would increase by €87,600 in one year at no extra cost.

## **2.9 Milk Collection Centers**

KCBS has created a working relationship with three international NGOs [AVSI, EDUS and SAH) in the Peja region in order to coordinate activities in supporting milk collection centers. KCBS reviewed six MCCs in the Peja region in order to identify needed improvements. As a result of the coordination with NGOs they provided dairy farmers with 100 small cans for transporting milk. As noted in 2.8 above, KCBS contracted the IHB company to provide training for six MCCs and their dairy farmer suppliers. The Devolli dairy plant also assisted in this training. KCBS will continue training on quality milk production and handling next quarter.

In the Peja region AVSI has prepared an intervention plan to set up three new MCCs. KCBS provided direct technical assistance to the MCC in Istog and with STTA assistance training took place at a number of MCCs in Kosovo on standard requirements to improve quality of milk quality. These activities were coordinated with dairy plants. KCBS assisted the Lepinje Kosovar Serb MCC in Lypjan with lab testing equipments and milk cans as a part of the Agrocoop grant approved fund. KCBS prepared technical plan for setting up a new MCC in Zveqan to supply the Shala dairy plant. Two MCCs in Gjurkovc and Istog have installed double lactofreezers to be able to receive 2400 more liters of milk which was contracted for by dairy plants Abi and Devilli.

KCBS held a training seminar for 15 MCCs contracted to supply milk to Abi and Golaj dairy plants, which included a practical demonstration on milk collection standard requirements.

KCBS will issue a subcontract in May to implement a project called "Increasing functionality and efficiency of milk collection centers." Four dairy plants have been identified and 8 MCCs with targeted farmers to support with training and equipment in order to improve the quality of milk from farm to dairy processing plant.

## **2.10 Final dairy product quality testing**

In five dairy plants the contracted STTA demonstrated test requirements before receiving raw milk, after pasteurization, on product in process and on finished product. Testing the technical culture for fermented products was presented in four dairy plants. Quality control for each specific product was presented in keeping with processing technology requirements.

KCBS organized in-laboratory training for dairy industry representatives on microbiology testing methods and requirements. The training participants included representatives from six dairy processors, government, institutions and a regional inspector.

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### 2.11 Milk processing plants

KCBS with two STTAs developed new dairy products for dairy plants Rona, Ajka, Shala, Lahor and Kabi. The products included gouda, cheddar and cream cheese, stirred set yogurt, and cream. Complete technology requirements were prepared for each new product. Including conditions and requirements for scaled up commercial processing from raw milk collection to final product preparation. Special forms were delivered to the dairy plants to assist them in quality control of each new product. Preparation of workflow plans for Kabi, Ajka, Abi were prepared in order to organize their processing lines more efficiently. Based on previous STTA interventions, locally made feta cheese, mozzarella and ricotta cheeses have been launched in the domestic market.

KCBS assisted clients in submitting applications to BAS EAR project for technical assistance for the following four dairy plants. Kabi with technical assistance for a new 20,000 liter/day processing line, Devolli on quality ISO standard certification, Rona with technical assistance to set up a new processing line project linkage, Ajka dairy plant on heating system improvement and Abi dairy plant on market research. KCBS will continue to work with the BAS project and the IEME institute in order to implement GMP in the preparation phase for HACCP standards implementation.

KCBS assisted Abi, Ajka, Devolli, Kabi and Rona dairy plant representatives with interviews to qualify for the USDA Cochran fellowship program to participate in USA training.

KCBS established a working relationship with two new processing plants Golaj and Lulja, a Sharri cheese plant.

KCBS in cooperation with clients Abi, Devolli, Kabi, Ajka, and Rona organized several Dairy Marketing Promotion events around Kosovo to promote the new cheeses and other milk products introduced with the support of KCBS project. These events were well received by Pizzeria owners, supermarkets and the milk processors themselves. Events were attended by MAFRD and municipal officials and by US and German KFOR. The Pristina event was recorded and transmitted by Public RTK TV and TV 21. Initial indications are that supermarkets have started to carry the new locally produced milk and cheese products. New and former clients have approached KCBS with an interest to participate in the program.

### 2.12 Work of Associations in Cluster

**KAMP:** In a process of assisting Kosovo Association of Milk Producers [KAMP], KCBS has contracted Pristina - REA a local NGO to provide immediate assistance to Kosovo dairy farms and to implement changes currently being proposed by KCBS short-term technical advisors [STTAs) until the KAMP builds the capacity to create and manage these programs on its own. During this quarter dairy coordinators have updated the dairy farm database; up to now they have put 532 dairy farmers with more than 5 cows into their database. So far they have identified 31 convening agents, and to date 176 farmers have been visited and recommendations from different KCBS STTAs have been delivered.

Since June 2005, KCBS has been working with KAMP and processors to resolve the problem of cheap imports of dairy products coming into Kosovo. The problem has become more acute with recent increases in investment in dairy farms and greater milk production. KCBS assisted KAMP to raise the awareness of authorities responsible to find a way of resolving the issue of under-invoicing of imported dairy products. Mr. Peter Oldham from EU pillar IV confirmed that within the month of May a solution would be reached.

As a result of a new lending policy for dairy farmers Raiffeisen bank approved and disbursed €280,000 for importing new dairy breed heifers. Six importers benefited from this lending and twenty dairy farms received financial credit support.

In order to sustain the changes being introduced by KCBS' STTA and local staff experts, KAMP has begun developing a *Best Practices Certificate* that will give certificate holders preferential treatment by banks, equipment suppliers, and dairy processors.

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**KDPA:** KCBS assisted KDPA in increasing membership by requiring a dairy processor to be a member of KDPA in order to receive benefits from the KCBS project. The second criterion was to be licensed or to be in the process of licensing by KVFA. Currently there are 18 dairy plants licensed by KVFA and 18 members of KDPA. Additionally one Serbian Kosovar owner is interested in applying for membership. KCBS provided technical assistance for application requirements for this Serbian Kosovar owner.

KCBS assisted KDPA in the selection of AFAS to serve as the association's management firm. KCBS provided training through KDPA for its members on microbiology testing procedures illustrated with practical demonstrations in the laboratory. KDPA will distribute the translated material free of charge next quarter. In order to be prepared and to understand the current situation of the dairy industry regarding GMP and HACCP standards, KCBS held a training seminar for MAFRD, local government representatives and inspectors entitled *What are GMP and HACCP standards, activities planned and needs for supporting activities.*

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

#### **3.1 EU Export quality control**

Prior to the breakup of the former Yugoslav Republic, Kosovo had a large number of sheep, which were shipped to other states in the former Yugoslavia Republic. Since the breakup, lamb exports have been restricted. Trade in sheep is occurring through informal channels to neighboring countries. Private traders are active in Kosovo purchasing sheep and illegally exporting animals. This trade is unofficial as presently livestock exports to neighboring countries are not officially permitted.

In order to open the export market KCBS has organized meetings between the Veterinary Services of Kosovo, Bosnia, and Macedonia. In an initial visit conducted in February 2006, KCBS, Mr. Bafti Murati chief of animal health section, and Mr. Basri Krasniqi representative of Lijanoviqi Company in Kosovo went to Bosnia Herzegovina and met with the Vet Services from Bosnia Herzegovina in Sarajevo and the Lijanovici Company near Mostar. The objective of meeting was to discuss the export of live lambs to BiH.

Market visits in BiH found that there is a significant demand for lambs in the weight range of 15 to 20 kg live weight and 20 to 26 kg live weight. Lijanovici Meat Company agreed to purchase 15,000 to 20,000 lambs during the next 12 months. Lambs will be in the weight range of 15 to 26 kg with a two tier pricing plan proposed for the weight classes described above. Prices will be set 10 days before the purchase date. Lijanovici would provide transportation collecting the lambs directly from the farms. Lambs will require an export certificate, import certificate and a health certificate. KCBS and KVFA have done what is necessary in preparation for lifting the ban on export lambs to Bosnia. It is now up to the BiH Counsel of Ministers to approve the exception to the BiH law on the import of live animals from a country not declared free of several specific diseases by the World Organization for Animal health [OIE].

Long-term entry into the BiH market will require efforts by Kosovo to receive disease free status for Foot and Mouth Disease, Blue Tongue and BSE. Kosovo has observer status in the OIE and KVFA has filed the necessary paper work for being recognized as disease free of these diseases, but OIE has not responded to their request

The BiH market is a heavy lamb consuming market throughout the year. A particular delicacy is the roasting of whole carcasses on the open fire at restaurants. Lamb meat can sell for around €7.00 per kg wholesale carcass weight. The peak demand periods are Easter, the summer tourist season, and the Christmas/New Year period. Lijanovici imports live lambs from Romania, which are older and heavier than Kosovo lamb. The lighter lambs from Kosovo would be very acceptable to the consumers of BiH.

In February 2006, KCBS organized a meeting with the Veterinary Services in Macedonia. The objective of the meeting was to discuss the possibilities for export of lambs to Macedonia. Good cooperation was expressed on both sides to work on the problematic technical issues. However it was quite obvious that Macedonia will adhere strictly to EU guidelines as they begin talks for EU accession.

The Greek market for lambs is expanding. New Greek slaughterhouses are being built on the border with Macedonia. The aim is to import the lambs directly from Macedonia and slaughter for the domestic market. The Greek market could be attractive for Kosovo producers in the future once the disease status for Kosovo is resolved and Kosovo has an EU licensed slaughterhouse.

A proposal for a pilot program for domestic marketing of lamb has been done. Lamb consumption in Kosovo is one of the lowest in the Balkans, at approximately 0.40 kg per capita. The pilot program will address opportunities of promoting lamb from the "farm to fork" in Kosovo. Participants in the program would be sheep producers with large flocks who have butcher shops and restaurants. The concept is to get key market participants to test product, pricing, promotion and distribution interventions to encourage increased consumption of lamb.



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### **3.2 Increased lamb & milk production**

In March, KCBS organized a study tour to Greece. The study tour participants included sheep farmers, government representatives, scientists, and industry representatives. The aim was to give participants exposure to, and training in, modern production, processing, and marketing techniques in the small ruminant animal industry. The study tour included visits to sheep farms, milk and cheese processing plants, lamb slaughterhouses and an agriculture association. The study tour provided Kosovo sheep farmers with an overview of the establishment, history and workings of the Panhellenic Confederation of Agriculture Cooperative Alliances.

KCBS provided a training program for 100 sheep farmers in 8 municipalities regarding health management practices. Additionally KCBS has prepared a brochure for sheep farmers regarding sheep health management practices in both the Albanian and Serbian languages. The brochure covers the topics of how to prevent sheep diseases, treat diseases, and recommended annual vaccination programs for sheep and lambs. Currently the brochure is being delivered to sheep farmers, departments of agriculture, and to the Kosovo Veterinary Food Agency.

Kosovo has about 1.1 million hectares of land of which about 50% is considered as agricultural. However just 300,000 hectares of it is arable. A very significant amount of agricultural land (approximately 180,000 hectares) is pasture land. Therefore the improvement of pastures, both in the quantity and quality of forage produced, is extremely important to the development of efficient sheep and lamb production in Kosovo. To demonstrate the value of improved pastures and educate farmers on the same KCBS has selected Dragash, Kaçanik, Rahovec, Podujeva, and Prizren municipalities in which to locate test plots demonstrating improved management practices.

The first phase of this pasture management project started in October 2005 in identifying test plots and collecting soil samples. The demonstration plots will be managed based on these soil analyses and the varieties of the plants in the plots in the second phase of the project which will start in last half of April.

### **3.3 Sheep and lamb business planning**

KCBS prepared a SOW for contracting a service provider to create a model business plan for a commercial sheep farm operation. EAR through its voucher program project agreed to finance this activity. KCBS has finalized the cost of production and gross margin spreadsheet with a sensitivity analyses. The sensitivity analysis helps the farmers improve their management skills by showing them the cost savings by making different management decisions.

### **3.4 Wool sales**

The market for wool in Kosovo has completely collapsed with some farmers having up to ten years of production in storage. The predominant breed of sheep in Kosovo do not produce the high quality wool demanded by the market today. KCBS has had some contacts with the local wool company to discuss the plan for buying sheep wool. The company shows some interest in buying the new wool, but not older wool. KCBS will work with sheep farmers in assisting as much as possible in shearing, cleaning, storing, wool grading, training and advice in trying to sell wool.

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

### **4.1 Establishment of on-farm cultivation techniques**

KCBS will continue promoting new technologies and the access to improved agro-inputs for feed crop production through technical and financial support for on-farm demonstrations. KCBS will continue to assist in the design and establishment of a field program to identify best management practices for maize, forage crops (alfalfa, red and white clover, sudan grass), soybeans, sunflower and canola. KCBS has prepared and submitted the project proposal and the scope of work for spring season test plots. During this quarter KCBS worked with crop producers and farmers' associations on parameters such as soil preparation, selection of the proper hybrid/variety, planting methods, fertilizer used, crop protection and harvesting.

KCBS also worked closely with MAFRD regarding introduction of new hybrids into the National Seed List. Hybrids that were suggested are the hybrids that were tested by KODAA and KDC (funded by KCBS), and four new hybrids were accepted into the National Seed List. As a result of KODAA and KDC activities last year in promoting new technology (new corn hybrid, soybeans, sunflower and alfalfa), MAFRD has issued a tender for this summer by which they intend to finance seed and fertilizer for 80 plots of new maize hybrids and 20 of soybeans. MAFRD expressed their interest in KCBS being involved in this program, and has consulted KCBS regarding the best varieties to select, based on the results from last year plots.

Agro Sativa Company from Italy is interested in introducing four new hybrids this year. KCBS recommended Agro Sativa give seed to plant two hectares each of four hybrids that would be distributed to commercial farmers in five regions of Kosovo.

### **4.2 Introducing new feed crops**

Training sessions were held for farmer associations organized in Podujevo, Lypjan, Gjakovë, Pejë, Prizren and Gračanica on the new oil crops. They included production of soy beans, canola, sunflower, as well as the new hybrids of maize, alfalfa and red clover being promoted by KCBS based on the field trials results. During the trainings, field crop producers, animal feed processors and input suppliers had the opportunity to discuss common issues facing their respective sectors.

During this quarter KCBS worked with KODAA members to try and source new hybrid seed for commercial production this season. Seed suppliers in the region were contacted (Pioneer, Seed Imex, KWS, Novi Sad BC) and the response was that they are ready to supply quality seed this year. To date three main KODAA dealers (Fitofarma, XENI, and Agrounioni) have already started importing seeds. In 2006, a total of 47,000 bags (approximately 15,000 ha) will be planted.

Two farmer associations, Agro seme and Dushkaja Bec, are planning to plant soybeans for commercial production for this season. KCBS provided them with training on these crops and delivered brochures on cultivating methods.

### **4.3 Soil testing**

More than 85% of all farmers that have participated in previous soil testing project have used the correct fertilizer formulations based on the soil test analyses; this has lowered their production costs. During March, KDC collected 80 soil samples through Agricultural Institute of Peja and will be organizing training sessions on soil test analysis. After the analyses are completed, KCBS will organize a seminar for producers. The participating farmers in this project are dairy farmers, animal feed producers and crop producers.

### **4.4. Pasture management**

KCBS has prepared and submitted the scope of work for the second phase of the pasture improvement project. For this purpose different associations applied with their project

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proposals and during April we are expecting to start the activity. Fields were selected in different locations in Kosovo and the priority was given to farmers and localities with the highest number of cattle. The size of each demonstration plot is planned to be 1.5 ha.

### **4.5. Forage production**

A quality forage crop is one of the most important feeds for ruminant animals. Its nutritive value is very good and can be fed either green, as silage, dehydrated or as hay. KCBS is continuing to work with farmers and farmers associations on making high quality forages. KCBS has prepared a SOW on alfalfa and grass silage preparation and this activity will start in May. The action plan of this activity is to collect data from four different cutting phases and analyze the results. The Peja Institute of Agricultural or the Agricultural Faculty (Animal Feed Department) will implement this activity.

### **4.6. Work of Associations in Cluster**

KCBS worked actively with KODAA members through AKA to help organize their attending the Agricultural Fair in Thessaloniki. Participants examined new technologies, mechanization and equipment that can improve the quality and efficiency of local feed production.

KCBS worked primarily with KODAA members responsible for importing fertilizer, seeds and crop protection products [CPP] in order to ensure that the needed inputs are available on time for our farmers during the 2006 planting season.

During this quarter KCBS worked with Dushkaja Bec, AgroDrita and Gruri farmer associations in organizing training programs on using new technologies such as new hybrids, fertilizer recommendations and crop plant protection.

## **5.0 POULTRY SUB-CLUSTER**

### **5.1 Breeder stock facilities – layers / broilers**

KCBS has worked to create vertical integration of the Kosovo poultry industry by introducing it to the world's largest breeder producers such as: Hy Line, Shaver, Hisex, Isa, and presenting the need for breeder operation. KCBS is willing to support the establishing of an experimental breeder farm; for that purpose KCBS has finalized the RFA. At the same time, SHPUK is to assist by identifying potential candidates, by specifying health and biosecurity requirements, and by conducting educative workshops together with study trips for candidates that can apply with their project proposals. SHPUK and KCBS organized a general assembly, which was also attended by our Hungarian partners (Hungarian poultry association and breeder producers) who again presented their breeder operations and offered to organize a study tour to Hungary including a visit to the Shaver facility. During the quarter, World Learning training program was conducted in February – March in US. This program had been prepared and submitted by KCBS in 2005 but was postponed due to Avian Influenza (Bird Flu) outbreak in the region and the concentrated involvement of the whole industry in taking measures to prevent the disease being spread in Kosovo.

### **5.2 Demand for fresh Kosovo eggs and meat**

As a program priority, KCBS had focused its assistance on restarting the broiler industry in Kosovo; however, due to developments world wide with Avian Influenza (Bird Flu), the sale of poultry meat in the region has fallen by 60 to 80% (in line with other countries such: Albania 50-80%, Italy 50-80%, France 40-50%, Germany 40-50%). KCBS developed an advisory brochure "What needs to be done – How to act" informing producers and consumers about the disease, and SHPUK distributed it to all relevant institutions and producers/traders. Previously reported KCBS activities with US Poultry & Egg Export Council (USAPEEC), regarding Avian Influenza [AI] were transferred from KCBS to SHPUK. USAPEEC attended the SHPUK general assembly and delivered promotion material developed for AI publicity campaign. SHPUK and USAPEEC signed a memorandum of understanding whereby SHPUK was hired to distribute the material Kosovo-wide (to producers, institutions, traders). Materials included posters at the point of sale, information pamphlets to consumers, and stickers identifying U.S. poultry and SHPUK eggs. KCBS has also asked SHPUK to prioritize the "Seal of Quality" identified in their Strategic Action Plan. KCBS also held meeting with Irex (US funded media project) to organize briefings with media in which the coordination body would be created through which the media can be informed on a daily basis regarding Avian Influenza development in Kosovo and in the region. KCBS together with SHPUK president attended MAFRD and KVFA conference where SHPUK distributed press release to reporters. However, despite all the problems in poultry industry related to AI, this quarter saw an increase in production and consumption of 25% compared to previous quarter. Unfortunately in the last week of March a 50% drop in egg consumption and sales was recorded. KCBS and SHPUK are monitoring development in poultry industry and exploring ways to regain the trust of consumer shaken by bad media coverage. MAFRD is also assisting in that matter; it organized a visit for reporters to Veterinary Laboratory where the Prime Minister gave a short speech that ended with a barbeque at which poultry meat and eggs were consumed.

### **5.3 Feed mills**

KCBS has continued working with the industry to enable them to produce the least cost feed rations. These have had a dramatic effect on the cost of production making local egg production far more competitive. All computer feed formulation programs were given to SHPUK who have continued installing them at all major poultry producing operations and have given individual training on how to use programs. KCBS has also assisted SHPUK in creating a price list for the needs of its members. KCBS will supporting one pelletizer to be installed in one feed mill and used as model for all feed producers; KCBS has prepared the RFA for this work. A Scope of Work was written for random feed testing in which 250

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samples of feed ingredients and finished feed will be analyzed and results given to SHPUK for their database. Dr. Remzi Bakalli (KCBS STTA) will be arriving in April to continue working with SHPUK, MAFRD and the poultry industry to assist them in feed production.

### 5.4 Poultry producers business plans

KCBS has completed the model business plan. It was given to SHPUK for the needs of their members.

### 5.5 Group purchasing of feed grain

In this quarter there was a lot achieved concerning feed grain purchase. KCBS is linking all feed producers to one scheduled purchase. KCBS assisted Fauna in renting Animal Feed Mill in Fushe Kosova from the KTA with storage capacity of 5,000 tons that Fauna will use to store grains. KCBS assisted Fauna in getting €450,000 loan from Raiffeisen Bank. KCBS, through a subcontract with UBO Creations, prepared a Feed Grain Survey in Kosovo, and assisted Fauna in obtaining information on rail shipping rates from different locations (Greece, Serbia, and Croatia). Fauna imported more than 500 tons of soybean meal from Cargill, Greece. During the last week of March Fauna purchased 600 tons of soybean meal (from US STR Company), which was imported through Koper in Slovenia and transported thence by rail. Fauna also made their first contractual agreement with Cargill for sunflower meal.

### 5.6 Management and vaccination program for layers, broilers and day-old chicks

KCBS has focused all its resources on Avian Influenza prevention. Kosovo, Macedonia and Montenegro are left as the only disease-free regions. As described above, KCBS with SHPUK and KVFA, are coordinating their activities against this threat.

### 5.7 Work of Associations in Cluster

**SHPUK:** REA Pristina was awarded a grant for managing the association, SHPUK, and started implementing strategic action plan. KCBS assisted SHPUK to be contracted by USAPEEC to implement a Kosovo-wide, small-scale avian-influenza campaign under the SHPUK logo. KCBS and SHPUK organized poultry general assembly that was attended by farmers, MAFRD, KVFA, EAR/EU, Agricultural attaché from US embassy in Belgrade, Agricultural attaché from US embassy in Skopje, USAPEEC representatives, Hungarian poultry association, Boly Hungarian breeder producer and local media.

SHPUK until now has 32 paid members. KCBS has delivered to SHPUK all information developed under the KCBS program such as: feed formulation computer programs, data of commercial poultry farms, commercial feed producers, and regional partners. KCBS will continue to support SHPUK in taking the major role in future development of poultry sector in Kosovo.

## **6.0 FRUIT AND VEGETABLE CLUSTER**

### **6.1 Foster a positive working relationship between producers and the larger market chain through facilitation of contract growing arrangements.**

Establishing market chain linkages between growers and wholesalers/ processors is the foundation of KCBS activities in the second annual fruit and vegetable cluster work plan. Throughout the second quarter, the KCBS cluster team has met with stakeholders across Kosovo representing growers, consolidators, retailers, processors and trading companies. The underlying purpose of these meetings has been to accelerate the reintegration of production with domestic and regional processing and marketing operations. Growth in sales, employment and capital investments are the objectives of this activity.

In the first year of the project supply contracts for several crops including peppers and wild forest fruits were established and implemented. These products were shipped to both domestic and regional processors. Despite the fact that new markets were opened up for several fresh fruit and vegetable products, relationships between producers and end users (wholesalers/processors) were not effectively established. Growers lacked confidence that contracted production will actually be bought and paid for, while wholesaler/processors have no faith that growers will deliver contracted production at pre-negotiated prices. During the second quarter KCBS worked towards the development and implementation of contract growing for the 2006 vegetable season and establishing confidence and trust between the contracting parties.

During the January KCBS identified and contacted some larger farmers who in 2005 produced vegetables (mostly peppers). KCBS made a list of 50 larger farmers from Rahovec, Qiflak, Krusha e Madhe and Krusha e Vogel, interested in growing for contracts. KCBS met with village leaders in an effort to identify larger growers.

Regional and domestic processors were contacted to determine what varieties of fruit and vegetables were needed and the quantities required. Negotiations for delivered prices and quality standards were started and will continue for the next few months. Products and vegetables that will be grown or harvested under contract for this next season include potatoes, tomatoes, peppers, forest mushrooms, blueberries and juniper berries.

KCBS developed a growing contract with quality standards for potatoes, tomatoes, sweet peppers, cauliflower, broccoli, okra and green beans for processing and taking local factors into consideration. The quality standards that were developed will be reviewed with the individual processing companies, growers associations and growers to make any minor adjustments necessary so that all parties feel they are actively involved in the process of creating the contracts.

These standards were developed based on USDA (United States Department of Agriculture) standards for processing while taking the reality of Kosovo into consideration. These are recommended standards for the processing companies to use as a guide. Individual processing companies will have specific interests that may dictate a change in the quality standards. The most important issue is that the processing companies and the growers and grower associations understand that quality standards must be a basic component to any contract production contract.

KCBS met with Perdrini, Anadrini, association, and ABI&Elif19 (Progres) and Pestova processing companies to present draft copy of contract and quality specifications. We reviewed the contract line-by-line and suggested quality standards. Growers have agreed in principle to work with contract production this year and will organize their activities accordingly. We discussed the contract that would be signed between the growers and processors, and adjusted parts of the processor/association contract to better fit the association/grower contract. KCBS also discussed the possibilities of diversifying the crops being grown by the association members since there was very strong interest from growers to start producing cauliflower, broccoli and green beans for processors.

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KCBS adjusted the contract that was reviewed by Growers Association to reflect changes requested by the association and to outline specific services that Associations would be providing to the grower members, for a fee, during the growing, grading, packing and shipping of product to the processing company. We also agreed in principle to attempt to provide to Associations, assistance in the form of technical advisors to work during the growing and harvest season. These technical advisors would be recent graduates or last year students from the faculty of Agriculture

KCBS worked with representatives of Progres Processing Company, BMF Finance Company, Anadrini Vegetable Association and several Anadrini Vegetable Association members to facilitate the establishment of contract production between the growers association, growers, lending institutions and processing companies. It included 12 growers, 2 Anadrini staff members, 3 representatives of the BMF Finance Company and 2 officers of the Progress Processing Company. Following the meeting KCBS had private discussions with processing companies (Abi&Eli19, Pestova) and growers in order to hear concerns of both the processor and grower. These concerns were addressed in the growing contract that was developed.

The underlying purpose of these engagement has been to rebuild new strong cooperation relationships between domestic growers and processors, apply planned production, find possibilities of credit for farmers etc. Growth in sales, employment, and capital investments will result from this activity.

KCBS also visited Alcred Food processing Company, Tirana, Albania. Our discussions centered on growing contracts for the supply of vegetables during the 2006 growing season. It was agreed that Alcred would contract for the supply of 3000 tons of red, green and flame peppers from Kosovo producers. The contract will be made with Perdrini Growers Association and their members. The association will monitor production, collection and transportation of the peppers while the growers will be responsible for production, production record keeping, grading and delivery to a central collecting point. Alcred has also expressed interest in early season, May – June green beans, and late season, October – November broccoli. The Alcred management team visited Perdrini Growers Association in March to sign the pepper contract and to discuss a contract for supplies of green beans and broccoli, but disagreements remained over price. Both association and processor continued negotiations on the terms of the contract. This contract should be finalized during the next quarter.

KCBS also assisted “Agrocompani” Vegetable Association from Qyshku, Peja Municipality to assist in negotiations for a contract for the supply of potatoes to a processing company in Albania. The meeting with Mr. Shaip Kelmendi, president of the association and Mr. Astrit Menxura, representing Kapica, an Albanian company was focused on attaining a contract for supply of over 2000 tons of potatoes of variety specific potatoes. The contract, that also states size, quality, price and delivery time, was agreed on and signed. We also visited larger potato growers in surrounding villages that might want to participate in contract growing for the Albanian company.

The activities conducted in the last three months have helped to accelerate a dialogue between producer groups and the wholesale/processing sector. They lay the foundation for future contractual growing arrangements and help to forge a relationship between producer and processor. KCBS has worked with Raiffeisen Bank to discuss the systems, available loans, interest rates and collateral requirements for obtaining financing for farmers. Meetings with newly identified firms, producers and producer associations will continue throughout the 2006 work plan. However the firms and producers identified to date comprise our “anchor” firms whose progress will serve as a model for other domestic and regional market players.

As result of these engagements during February and March, several contracts were signed with specified volumes and quality of products to be delivered; but the price will be based on an average of the market prices, on the date of delivery, at predetermined markets

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around Kosovo. The table below shows the contracted volumes to date. It must be noted that there is no enforcement mechanism for these contracts in Kosovo, and the success of this approach will only be gauged at the end of the season.

**Table I. Vegetable Contracts signed in March**

Processor	Producer assn.	Number of farmers contracting	Product type contracted	Volume contracted in tons	Approx. Price expected Euro / ton	Value of contracts in Euro
<b>Abi&amp;Elif 19</b>	Anadrini	14	Pepper (Kurtovska)	225	200	45,000
			Pepper (somborka)	81	120	9,720
			Pepper (Babura)	145	120	17,400
			Cabbage	170	70	11,900
			Onion	70	300	21,000
			Carrot	85	100	8,500
			Eggplant	35	130	4,550
			Cucumber	20	200	4,000
			Tomato	10	50	500
			Cauliflower	20	250	5,000
			<i>Abi &amp; Elif Subtotal</i>	861		127,570
<b>Pestova</b>	Farmers	15	Potato	5,200	120	624,000
<b>Kapica</b>	Agrocompani	9	Potato	2,000	120	240,000
<b>Alcred</b>	Perdrini	50	Pepper	3,000	180	540,000
<b>Total</b>		<b>88</b>	<b>Vegetables</b>	<b>11,061</b>		<b>1,531,570</b>

KCBS continues to monitor fruit and vegetable prices at several locations throughout Kosovo. Having access to fruit and vegetable prices is a key component to understanding where to sell your production if you are a grower, and where to buy your inputs if you are a processor. Over successive growing seasons market information can demonstrate to farmers that some non-traditional agricultural products have a high market demand and that it would be prudent to consider changing their production to exploit such opportunities. Until the start of KCBS, market information of this nature was scarce and not readily available to producers and processors in Kosovo.

Currently market price information is being collected from four cities in Kosovo and is being disseminated to interested producers and marketers on a weekly basis. This activity is ongoing and will be strengthened during the next quarter when a short-term marketing research specialist will be engaged to further refine the activity.

### 6.2 Develop new products with export potential

Expanding production and processing are important steps in accomplishing job creation and income generation in the fruit and vegetable sector. This expansion depends on competitiveness and marketing and the development of new products with export potential.

During the second quarter KCBS has actively sought to identify new products that are able to compete on the international market. Some of these include high value apple vinegar, Pacific Rim and United States markets for wild forest mushrooms and new European markets for blueberries. New markets were identified and contacts made for frozen blueberries during the ANUGA food show in Germany during this past October. New markets were identified in Japan the United States, Slovenia, France and Italy for wild mushrooms. Kosovo producers of these wild fruits have been given these contact addresses and if requested, KCBS will act as an intermediary in setting up deals for export sales.



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Sales of dried blueberries and dried rose hips have been made to regional markets. Over seven tons of dried blueberries, equivalent to 55 tons of fresh blueberries, have been sold to EU market; and sales of over 15 tons of dried rose hips equivalent of 45 tons of fresh rose hips, and more than 20 tons of dried juniper berries, have also been sold in the regional market.

During the quarter KCBS has actively sought to identify new products that are able to reduce imports of early potatoes for consumption and processing needs. KCBS, together with Pestova company, formed the idea of investing in potato production in Albania so as to reach the market early. This brings companies better profit and at the same time the processing side of company can furnish itself with early varieties of potato raw material two months earlier for processing those as chips. Pestova company during February planted 20 ha with early potato varieties in Divjaka area. Varieties planted were those tested in experimental fields in Prizren and Vushtrri area during 2005 by KCBS.

KCBS visited several food processing companies in Kosovo: Agroprodukt Commerce, Podujeve, Pestova and Agroprodukt-Syne. Together with the owners of these companies the KCBS team documented conditions and completed a checklist that will be used to determine what is necessary to become HACCP compliant. This is especially important as all processors exporting to European markets must be HACCP compliant from this year. As Romania and Bulgaria are expected to enter the EU in 2007, both HACCP and EuropGap will be necessary for export to these countries as well. Production from the second facility, Dikodil Company, located in the Zubin Potok minority area, will be used to supply Agroprodukt Commerce. Agroprodukt Commerce has been given new export contacts resulting from attendance at the ANUGA food show.

### **6.3 Improve postharvest handling practices**

Increasing the quality of fresh fruits and vegetables and processed products is a natural outcome of the specific assistance discussed within the body of this report. Through our activities in postharvest handling, packaging assistance and market information, KCBS is ensuring that the appropriate product gets to where it is most demanded in the best condition possible. Through interventions and improvement in postharvest handling and storing conditions, we ensure that producers are constantly improving the quality of produce available to the market and meeting the superior quality standards necessary to decrease losses due to spoilage while increasing income received for quality goods.

Fruit storage rooms were improved by installing insulation on the outer walls of the storage rooms, and the interior of the rooms was improved by creating air flow passage ways and the use of pallets on which to stack packed cartons of fruit. Humidity in the storage rooms was increased by spreading water on the floor surfaces. Fans were installed to improve air movement within the storage rooms. A storage management system was implemented and digital thermometers and hygrometers were issued to association members in order to monitor and record storage conditions.

As a result of cluster assistance in modifying the apple storage room in our client association, a graph was then created that shows daily room temperature, room humidity and fruit temperature during the season. The graph together with storage data from this season will be used as comparison to future years storage data in an effort to determine improvements in stored fruit quality as well as improvements in storage rooms and temperature management.

During the past quarter the president of fruit tree association, "Fruti" from Gjilan monitored apple storage conditions after storage insulation. During this wintertime, even though the temperatures outside of the storage was  $-22^{\circ}\text{C}$ , inside the storage room they were a minimum  $-1^{\circ}\text{C}$  which are perfect conditions for apple storage. Mr. Shaban Isufi, a member of this association who didn't have apple storage insulation on his farm during this winter, as a result of very cold temperatures lost of 1,5 tons of apples. This salutary lesson made an impression on the other members of the association. On the other hand, elsewhere, as a result of storage room improvements (insulation on the outer walls, ventilation, humidity,

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grading and packaging) president of association informed KCBS they sold their apples faster and at better prices compared to previous year and they are very happy with changes introduced.

For increasing the level of storage conditions, KCBS approved Pestova's project proposal for a grant extending through September 2006. The purpose of the grant is to extend the period of time for potato storage by two months by introducing better storage conditions.

### **6.4 Assist processors in identifying and moving ahead with production of value-added products that profitably and strategically challenge imports and encourage regional trade**

Producers must create value-added products sought by the domestic and regional marketplace involving domestic raw materials. Processors must outline market opportunities by fruit and vegetable sub-sectors in each country. Processors need to be assisted in making decisions regarding the most profitable products to market domestically and regionally.

During the quarter KCBS has assisted Kosovo agribusinesses with linkages to regional markets as well as providing assistance to challenge imports on the local market – these have been discussed above.

Pestova company was assisted with detailed information for investment in insulation & ventilation system for improved potato storage. Delta Pomfrit was also advised about making blanching part of the equipment for increased production capacity and the appropriate conditions for potato storage.

KCBS supported farmers Fahredin Merovci, Fatmir Berisha, Mexhid Krasniqi etc with all technical instructions in techniques on land preparation, orchard layout, variety selection, type of fruit tree sapling material, greenhouse.

KCBS worked on developing a SAF grant proposal for "high bush" blueberry trials. We also assisted Zahaqi association to identify proper blueberry cleaning, handling and "rake harvesting" equipment that will be in place prior to the season start up in August.

### **6.5 Unite regional fruit associations**

No further work was done in developing associations. KCBS attention has been given to strengthening the existing associations and improving their members' practices of post harvest handling, and in developing new markets for their products.

## 7.0 CONSTRUCTION MATERIALS CLUSTER

### 7.1 Wood Processing

There has been significant progress since the beginning of January 2006, towards development of the Korenica and Ukaj facilities for the production of engineered wood flooring exclusively for Swedeco Flooring, Inc. into the American/Canadian “Big Box and DIY or Do-It-Yourself” markets. Two back-to-back STTA’s were completed by Matt Anderson, in January and February, and then an LTTA in support of this project began on March 6th. The LTTA is designed to provide hands-on technical assistance and guidance to the management of KORENICA and UKAJ during the development and start-up of their Engineered Wood Flooring facilities – one a facility renovation and retrofit of a privatized SOE, the other new construction, both presenting unique challenges.

The SOW provides for technical assistance in three consecutive phases.

- During the first 6-8 months, Phase I will provide direct assistance for the start-up of the manufacturing facilities, securing raw materials, equipment and development of the initial engineered wood flooring product line.
- Phase II will start with the initial shipments of engineered wood flooring products and will focus on monitoring quality assurance and production demands due to increased volumes as the facilities ramp-up to optimal production levels during the critical 4-6 months after the initial shipments.
- Phase III may overlap Phase II, and will expand the engineered wood flooring product line and develop ancillary products, providing Phase II is successful and the operations are capable of sustained production of the initial product line.

#### 7.1.1 Progress based on tasks outlined in the SOW:

KCBS, with Swedeco, identified initial engineered flooring products to be manufactured by Kosovo Companies and exported to the US.

➤ Initial products are to be:

- Unfinished 90mm and 145mm single strip square edged flooring
- 1220mm and 1820mm in length
- 3 different thicknesses of wear-layers to be used (2.5, 3.5, 4.0 mm)
- Colors of product to be determined at a later date.

Although initially designated by Swedeco – these products may change before first production runs due to changes in customer requirements.

➤ Assist engineered wood flooring manufacturers with cost analysis to ascertain and maintain profitability for current and future products.

- Basic pre-operations cost analyses have been completed for the following, and a more comprehensive analysis for each category will be undertaken as each facility nears its operational status:

- Production/product costs
- Raw material purchasing
- Facility retrofit and new construction costs
- Machinery and equipment purchasing or renovation
- Costs for machinery and equipment placement

➤ Assist companies in doing a facility development analysis in preparation for renovation and construction of required manufacturing buildings.

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- Plant and machinery layouts have been completed for each company based on intended equipment purchases. These layouts and any construction revisions will be completed after acquisition of machinery and equipment for each Unit.
- Building construction or retrofit has been discussed in detail with each owner, and continued oversight will be necessary as the new construction, renovations and retrofits progress.
- Assist flooring manufacturers with developing purchasing, production, quality control, quality assurance, inventory control and preventive maintenance procedures.
  - These topics have been addressed at the pre-operations level, but will be individually developed as the facilities get closer to actual production capabilities.
- Explore additional products for export utilizing local and imported materials; identify Kosovo companies with the manufacturing capability for producing future Swedeco requirements.
  - At this point, we have focused attention on development of Korenica and Ukaj for engineered wood flooring; however, we have received inquiries from other Kosovo wood processors who may be interested in producing ancillary products once the flooring has moved into the supply chain. These companies will be evaluated for production capabilities and addressed once we are ready to add ancillary products to the current mix.
  - In December, USAID asked that we work with Wood Combine again, and since that time, we have had serious discussions with Labinot Berljolli and Harry Bajraktari about bringing the sawmill online, producing quality lumber, and becoming a primary supplier of Beech for the engineered wood flooring producers.
- Identify and monitor manufacturing materials (local and imported) required for engineered flooring, researching suppliers and overseeing preliminary supplier contracts.
  - Inquiries have been made of several mills in neighboring countries (Hungary, Romania and Montenegro) with capabilities to produce Beech, Cherry, Oak and Exotics.
  - Several mills are prepared to meet lumber specifications, and some have indicated the desire to produce wear layers – including purchasing the appropriate equipment (Wintersteiger) necessary for the job.
- Prepare business plan guidelines for selected companies requiring additional financial assistance for the acquisition of machinery, equipment or other necessary components for the purpose of upgrading existing facilities or building new facilities to manufacture engineered wood flooring.
  - At this point in the project, business plans have as yet been unnecessary, since both Ukaj and Korenica have good lending history with their banks, and have not been asked to produce one. Once the facilities go into production, we will assist with preparation of formal business plans, if necessary. To date loans have been granted for equipment, inventory and operating capital.
  - Korenica has:
    - Secured a €490,000 loan from Pro Credit for purchase of Xerxe facility.
    - Invested €110,000 towards the purchase of the Xerxe SOE, and spent €83,000 on renovation, repair and retrofit of the facility.
    - Purchased additional equipment at a cost of €60,000.

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- Secured €60,000 loan from Raiffeisen Bank for raw material inventory – the bank has assured him of continued inventory financing.
- Secured an equipment lease from Zenner, a German capital equipment leasing company and KCBS assisted in negotiating a discounted price and down payment for the Wintersteiger and sharpening equipment, FOB Xerxe, of approximately 75K Euros – an out-of-pocket savings for Korenica of more than €18,000.
- Ukaj has:
  - Secured a €70,000 Line of Credit from Raiffeisen Bank (something virtually unheard of for Kosovo).
  - Personally financed €300,000 Euros for the purchase of approximately 20 acres for the Pristina facility construction site.
  - Secured a €200,000 loan for construction of the Pristina wood flooring plant.
  - Purchased €120,000 Euros to date in machinery and equipment.
  - Plans to pay cash for the Wintersteiger (75,000 Euros) – KCBS will try to get him to consider Zenner for a capital equipment lease like Korenica has negotiated.
- KCBS will negotiate additional multi-unit discounts from Wintersteiger, since both companies will be buying their equipment simultaneously.
- Develop detailed profiles for companies exporting engineered wood flooring and for those capable of producing and exporting other wood products.
  - These profiles will be developed as a work-in-process item, but will be completed by the time each operation ships their first container of product.
- Where necessary and appropriate, assist companies with employee training or acquisition of training by machinery or equipment manufacturers.
  - The manufacturers of the newly purchased equipment, such as Wintersteiger, will provide post-installation training.
  - KCBS is in process of developing step-by-step Operations Manuals for each Production Cost Center. These OM's will be made available to each operator, supervisor and owner.
  - Both companies have agreed to participate in Safety and First Aid training
    - Safety training will be contracted through Wood Technical Institute in Peja
    - First Aid Training Course will be contracted through the local Red Cross Unit.
  - If necessary, Swedeco is prepared to bring production experts from their other facilities to help with initial training. This may be particularly relevant for the finishing lines.
  - Production training will be provided by Machine Cost Center as they come online.
    - Supervisors will be cross trained in each area so they fully understand the entire process.
    - Mustafa Korenica and Sheqer Ukaj will train alongside their Supervisors, so they have a clear understanding of the entire process, as well as, their Supervisory expectations.
- Assist in securing Letters of Credit (LC) from the buyer(s) and in developing a planned production schedule.

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- In January, Swedeco received \$30,000,000 from Capstone Capital, LLC to fund the Letters of Credit for the Kosovo wood flooring production.
  - Purchase orders are due to be issued for the first product shipments in April or early May 2006.
  - Production schedules will be developed for each facility based on purchase orders issued and volume of product specified.
- Provide critical project oversight assistance for the first 4 to 6 months of production.
- Project oversight continues on a daily basis. At present, primary attention is focused on Korenica, since the Xerxe facility is complete, with the exception of the roof, building and office renovation process. Equipment is already being placed in Units I and II. Korenica will be the first operation in production. Final ownership documents for the Xerxe facility are being prepared by KTA, with ETA for signature week of April 10, 2006.
  - Ukaj facility new construction lags behind Korenica, primarily due to adverse weather delays over the last 2 months. With warmer and drier weather ahead, construction should move ahead quickly.
  - Several pieces of equipment have been moved from Korenica's Rahovec operation and have been moved and placed in the Xerxe facility per the production layout. Recommendations to use local contractors for most of the Xerxe renovation work, rather than in-house resources have been implemented. Any cost difference will be offset by expertise and on-time work. Korenica has contracted to complete:
    - Compressed air delivery system.
    - Dust collection system.
    - Water and sewer systems.
    - Electrical and machinery hookup.
    - Renovation of the office, cafeteria, bathrooms, etc.
    - Repair of the entire manufacturing area roofs.
    - Retrofitting of the boilers for wood burning rather than oil.
    - It is planned to have the electrical, dust collection, compressed air and office/administrative area installations and renovations completed by mid-April.
  - Equipment purchased by Ukaj through Kupers in Germany is in process of being torn down, cleaned up and readied for placement and production. Changes to the layout were required due to infeed/outfeed equipment that arrived differently than anticipated.

### 7.2 Improved Quality Control

In this quarter KCBS continued making recommendations to the private sector and Kosovo Standardization Agency (KSA) for improving the quality control and testing for the quarried aggregates, concrete and asphalt. As a result, the KSA established technical working groups that will review and approve the EU standards. KCBS purchased EU standards from Albania as requested from KSA and the transfer of ownership to the KSA of the original set of Standards will be made after KCBS receives Contracting Officer permission.

In order to support the improvement on asphalt quality production, KCBS purchased the basic standards from BSI related to HMA (Hot Mix Asphalt) and presented them to RCAF. In addition, an STTA was engaged to upgrade asphalt production industry to the level of European Asphalt plants; this instruction will be followed up by training in Germany which on a Study Tour financed by USAID's World Learning program. The training will be held in

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Berlin at Teltomat - Asphalt plants manufacturing factory. There will be 11 representatives of asphalt plants producers from Kosovo.

In past quarter, KCBS objected to the non-transparency of licensing committee, set up by the MTI, as it did not incorporate the private sector associations (RCAK and KACP) as observers on the licensing committee. With support from USAID, MTI were persuaded to grant one person observer status and the private sector, comprising five associations (OEK, LINK, AAK, RCAK and KACP), selected the Executive Director of RCAK] to be their representative. on the Committee. However, the MTI still failed to invite him to committee meetings; the KCBS will monitor this activity as it appears MTI is not very cooperative.

### **7.2.1 Improved quality control for cement, aggregates and reinforcing steel**

The standards for cement, aggregates and reinforcing steel [the three most common materials used in construction] have been drafted in Albanian, submitted to the MTI in June 2005, but are still under review by the technical group formed by Kosovo Standardization Agency. The KSA agreed to become a BSI selling point in Kosovo through Albania.

The KSA worked the draft regulation for national committee and with recommendations of KCBS, established KSA National Board Committee, composed by public and private sector. Its main duty is designating technical committees for adoption of the standards. As a result, the technical committees related to standards on Cement, Aggregates and Steel were created. KSA established a transparent methodology for adoption of the EU standards. The implementation of these important construction standards in Kosovo is postponed till Jun 2006 due to prolongations accrued on negotiations with BSI, copyrights and other related authorizations. KSA technical committees were established late and the KSA did not have original set of standards.

### **7.2.2 Improve quality control for concrete and concrete elements**

After the review of the first draft, the entire package of the EU Concrete standards has been completed and submitted to KSA at the end of Feb '06. The KSA proposed the Technical Committee for concrete standards and the standards are to be reviewed by them after the original set is handed over to KSA. The KSA goal is to enforce the concrete standards by latest March '07 or in the next year's construction season.

## **7.3 Improved Productive Capacity**

### **7.3.1 New Co. Silcapor L.L.C.**

In this quarter, Silcapor was focused on implementation of the Marketing Plan by spending over 30,000 Euros. The company refurbished the administrative building for the administration and marketing. In this quarter, the factory did not started with production due to weather as the raw material (sand) was frozen constantly and they have been focused on repair works and testing of production started by the end of March. The production will start in April. The company sold more than 0,3 MM Euros of its products, from which 25,000 Euros of export to Macedonia. In order to increase export to the Greek market the company, with KCBS technical support, presented the Silcapor products at Infacoma 2006 International Exhibition in Thessaloniki, Greece. We met with several producers and wholesalers in Greece and successfully promoted the Silcapor blocks to the Greek Market. Based on our market research in Greece we obtained information concerning the block prices, direct and indirect competitors, potential buyers and alternatives to grant the exclusive rights for distribution in Greece We also searched a simplification to the transportation problem.

The main obstacle identified was packaging type; it must be according to EU standards for thermo-insulation products (1200x750x1000mm). Silcapor will have to make additional investment in machinery to produce this packaging. KCBS assisted Silcapor to develop the export price and research for machinery that will do packaging according to EU standards.

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The other obstacle that must be resolved is inter-country transportation by trucks and railway at a reasonable price. As no bilateral transport agreement with Greece exists, Silcapor requested an offer from UNMIK railway, but this was so high that the resultant sales price could not be competitive in Greek Market. As a result of visit to trade fair, four interested companies have since visited Silcapor factory.

In this quarter, exports were only 25,000 Euros or 561.6 m<sup>3</sup> to Macedonia, 62,500 Euro. The new product “Blocks with joints” will be produced based on customer requests for Kosovo market whereas for Greek market they will be 100%. As the price for preparation of Master plan was very high the company postponed the agreement with company from Slovenia. The company is convinced that the number of workers will remain the same at this construction season as well, approximately 220. The company is started with excavation of the raw material and it has been stored at the factory premises. In this quarter the company focused on research for new mixtures; but because this production is unique, some mixtures have failed and it may be necessary to hire international experts to develop successful mixes.

The company will promote their products in Macedonia and will participate at the Construction material trade fair in Skopje from 4-8 of April.

### **7.3.2 Bilateral Transportation Agreement**

The major problem for implementation of the contract between Silcapor and the Greek buyers still remains the absence of a bilateral transportation agreement that will allow trucks with KS plates and railways to transport directly to/from Greece. An agreement must be signed between Greek Government and UNMIK-Kosovo Government. KCBS raised this issue with Ministry of Transportation and Telecommunication emphasizing how an agreement was very important for the economy of Kosovo. KCBS monitored this activity, which was not resolved during this quarter. USAID intervention is recommended. Similar bilateral agreements should be signed with other countries in the region. This issue is very important for economic growth of Kosovo.

### **7.3.3 Bejta Commerce**

Bejta Commerce failed to start production at its new quarry as the ICMM still had not issued the license for blasting and operations. ICMM and MFE are claiming that Bejta Commerce did not pay the royalty fee amounting €103,000 for 2005; the company is objecting to this assessment claiming most of blasted stones (30%) were not aggregates or sand but waste material. If the ICMM does not issue the license or the company it will affect their business operations and employment, and road construction in Kosovo will continue to be contracted with bad quality material. The company is willing to pay a reasonable royalty fee. The opening ceremony of the quarry operation will be held as soon as the company obtains the license for operation and blasting. [ICMM bureaucratic procedures are harming the entire quarrying industry as there are several reputable quarry operators whose applications for license and blasting permits have been delayed].

As a result of the failure to start production at the new quarry in March, Bejta Commerce's problems were severe, especially with cash flow and loan repayment. Their “lost” sales were approximately 1,000 tones, or €20,000. KCBS assisted the company to obtain a loan rescheduling by RBKO in January. Existing operations at the old quarry are suspended because they did not obtain the blasting permit from ICMM; employment decreased and stocks were run down. The company sales during this quarter were only €90,000 Euros and the company had only 12 full time workers; the remaining 70 are on leave without pay until permits are obtained.

### **7.3.4 Expedite “New Co. Korrotica L.L.C.” privatization with KTA**

The “New Co. Korrotica L.L.C”, one of the largest quarries in Kosovo, was tendered on the sixth wave by KTA. The privatization process was delayed by a backlog in Pillar I's background checking procedures. After six months of delays, KTA signed the contract late



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in March. All the SOE assets have been transferred to the three new owners/partners. The new owners were interested to form a joint investment program, but since the signing of contract was delayed they are now obliged to start production with existing machinery. Investments of approximately of 1,0 MM Euro must be done in phases or in the next construction season, as they want to utilize this year's construction season without the disruption of a retrofit of the plant. As a result the number of employees could not be as high as expected but still could be up to 50. For this year, the company's goal, using existing machinery, is to increase production by 100% and to achieve increased sales up to 1,3 MM Euro. This is approximately 2,5 times higher than sales achieved by former SOE in 2004. [In 2005 there were no operational results reported by SOE].

In order to achieve these goals the new owners with KCBS assistance are developing the joint venture agreement for creation of the new company, which is expected to be signed in the next quarter. KCBS developed a questionnaire and summary of JV agreement that has been reviewed by shareholders. The final draft and completion will be complete in April or latest beginning of May. The agreement is essential to become successful company and the agreement is aimed to cover all topics related to future investments and operation.

### **7.3.5 Expedite “New Co. FAN Zahir Pajaziti L.L.C.” privatization with KTA**

Similar delays occurred in the privatization process on KTA seventh wave Special Spin-Off of the “New Co. FAN Zahir Pajaziti”, manufacturer of reinforcing steel elements for construction industry. After six months of delays, KTA signed the contract late in March and all the SOE assets have been transferred to the new owner. The owner had invested in refurbishment of the factory, but some necessary equipment repair works and production with existing machinery only started late in March as due to KTA delays. As a result, major investments planned for this year for purchasing new machinery in order to improve production and quality will now be done for the 2007 construction season. The company decided to start production with the goal to achieve sales over 2,0 MM Euro in this year 2006, or approximately 4 times higher than figures achieved by the former SOE. In parallel, the owner and KCBS will search for new technology that is in compliance with the factory layout. The potential manufacturers/suppliers have been identified by KCBS and given to the owner and this activity will be followed up over next months. The focus in the next quarter is increased production with existing machinery as well as quality, employment and restructure of the factory management.

FAN management with support of KCBS will prepare business and investment plan, identify financial needs, access to credit and reorganization of the New. Co. Investments in new machinery will have positive influence concerning increase of sales, productivity, quality, competitiveness, and exports but will decrease number of direct employees.

### **7.3.6 Expedite with “New Co. Ramiz Sadiku” privatization with KTA**

Similar delays occurred in the privatization process on KTA seventh wave for the “New Co. Ramiz Sadiku”, which is one of the largest manufacturers of clay products and concrete blocks in Kosovo. The factory has an extensive range of brick and concrete block manufacturing equipment, and the majority are operational but investments in new technology are essential. The signing of contract with KTA was done six month after award, and new owner registered the company with different name “Tulletorja” LLC on March 21<sup>st</sup>. KCBS assisted them on developing a JV agreement; the JV questionnaire is completed and in the next quarter the JV is expected to be completed and signed. There are seven shareholders in total, of which three of them have 11.11% each and other four 16.66% each. They plan to invest in new technology. The factory started production with existing machinery after some minor repair works had been completed. KCBS will assist new owners on drafting business and investment plan as well as on technology improvements. It will be necessary to bring an expert from abroad.

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### 7.3.7 Assistance to the other private companies

- A manufacturer of electrical wire for low voltage – “Progressi” company from Gjilan – asked KCBS to organize a meeting with KEK and representatives of 19 companies from Gjilan industrial park. KEK agreed to do an assessment of existing situation and prepare a solution for 19 companies for 24hour power supply. This initiative will be monitored by KCBS could be implemented in the next quarter if both parties agreed.
- KCBS met with local road contractors and encouraged them to create Joint Ventures with companies in North Kosovo and bid on EAR tenders and other government tenders for road construction in which they expressed their interest. KCBS provided a list of the clients from North Kosovo. It is a great opportunity for companies to work together and we believe that this cooperation will be established.
- KCBS is developing the HMA (Hot Mix Asphalt) handbook with basic elements for Hot Mix Designs and asphalt plants operation, which will be completed in the next quarter and delivered to asphalt producers.
- KCBS is assisting “InterKos” located in Lipjan municipality, Prishtina Region in JV agreement. KCBS is also interested to assist the company in resolving the dispute with the Chinese supplier of the asphalt plant.
- KCBS met with 10 asphalt producers in a group and visited seven asphalt plants, one of them based in Leposavic and five quarry operators. The main topics covered were related to existing technology used for asphalt production and road construction, identification of main activities that require improvements and capacity building in order to improve quality of Hot-Mix asphalt production. The producers were interested to be given training on asphalt industry as a whole. There is potential to invest in the future use of RAP (Reclaimed Asphalt Pavement) as this technology has not been used yet in Kosovo and many asphalt companies are interested to invest.
- There is no experience and no training organized in past in Kosovo for forming Joint Ventures [JV] or Strategic Alliances [SA] as a potential basis for economic growth. KCBS initiated a seminar for JV/SA whose aim was to launch the idea and key issues to be considered by forming a JV/SA or Joint Stock Company [JSC]. They are especially relevant to companies that have recently privatized SOE’s or bid on large construction and infrastructure projects. There were more than 30 participants representing leading companies in construction industry such as in road construction, asphalt and concrete production, residential buildings, wood industry etc. This program is important for future economic growth of the private sector.

### 7.4 Follow-up to Year One Marketing Initiatives

#### 7.4.1 Decorative Stone

During the first half of January 2006, KCBS maintained contacts with Italian companies interested in investing in Decorative Stone Industry in Kosovo; we followed up with EU Investment Promotion Agency [IPA] at MTI Pristina on same issue. Two confirmed visits by POGGI and CHIRARDI marble companies were postponed due to the bad weather conditions. KCBS also maintained contact with Gruppe SOGES at MTI, to bring back Mr. Paolo Giovannangeli for the detailed prospecting at quarries previously visited and to produce the business plan for quarry operations. Mr. Paolo’s presented the Decorative Stone of Kosovo in Udine in the frame of FVG, Italian project from 6-9 March. Two other interested Italian companies are interested in Kosovo Quarries ONYX and BRECCIA. KCBS visited Istog Municipality, met Mayor and CEO, and discussed the procedures and paper work required to start quarrying operations. The Spanish magazine, Rok Maquina, also will produce an article about the opportunities in Kosovo.

#### 7.4.2 Waste Containers

After the privatization of LLAMKOS, KCBS visited this company on January 18, regarding

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the previous interest of this company to manufacture metal waste containers of 1.3 m<sup>3</sup>. Further contact with officials of Llamkos at the end of March clarified several issues: LLAMKOS has the capacity and capability to manufacture these containers, but because of market competition LLAMKOS wants payment in advance. General production of Llamkos is galvanized metal sheeting. For the moment they are manufacturing kiosks. In March, Pristina waste management public company, requested from KCBS Marketing to check possibility of ordering 200 pcs. of 1.1.m<sup>3</sup> waste containers in Llamkos. Contacts between both parties were made immediately. Results of this interest will be known in next quarter. Till now only the waste company from Istog, tendered 18 containers.

### 7.4.3 Waste Recycling

KCBS continued cooperation with PISTA ECOPLAST on plastic waste recycling opportunities. We introduced them to EKO-KIM recycling company in Zvecan municipality, and are working with the EAR program BASS to provide business planning and market linkages to this minority area company.

### 7.4.4 Markets Development

KCBS cooperated with EAR/IPA/MTI and Italian office in Pristina regarding project "Support to New Dynamic SMEs in Kosovo" an initiative financed by the Autonomous Region of Friuli Venezia Giulia in Italy. USAID/KCBS clusters identified 23 companies from their client database; 19 of them were included in a final list of 36 for potential cooperation with similar Italian companies. Seminars were held in three Italian cities from 3-5 March and 10 Italian companies declared an interest to come and start cooperation with Kosovo counterpart companies by April 5. The workshop "Making Business in Kosovo" was held in Grand Hotel Pristina on April 3.

### 7.5.1 Work of Associations in Cluster

**AWPK:** The Association of Wood processors of Kosovo [AWPK] requested KCBS to sponsor a feasibility study for a Wood Processors trade show in Kosovo. The study, conducted by local business service provider, MDA, found that such a show was possible, but not at the price points per square meter assumed by AWPK's board. The study also cautioned against undertaking this effort without at least six months lead time, making the board's anticipated April date very difficult. The AWPK board chose to ignore the advice of the consultant and proceed with a May date.

The association has also worked with CBDC to develop databases to help promote members' products both locally and regionally. While the database is well underway, the association has yet to develop a marketing plan to attract potential buyers to the site.

**RCAK:** KCBS assisted Road Contractors Association of Kosovo [RCAK] initiative to organize a public meeting regarding obstacles on quarry industry and there were over 25 quarries requesting support for improvement of quarry industry. The public discussion was held on March 28 with representatives of Ministry of Energy and Mining and quarry operators. The main topics discussed were: royalty fee to be decreased; licensing procedures to be improved; illegal quarry operators; free market for explosive suppliers; 24-hour power supply; blasting permits; and better inspection procedures. The quarry operators presented their concerns and compared them with regulations in competing markets in the region and worldwide. As a result, both parties agreed to recapitulate and draft a letter that will cover all concerns and propose recommendations. The quarry operators will form a working group that will join the DMM to negotiate with the other ministries and UNMIK representatives. They will then organize a wider meeting with all stakeholders. This activity will be monitored by KCBS and optimistically will be resolved in the next quarter.

KCBS met with RCAK board Members and MTPT representatives in order to explore the RCAK objections to the MTPT tendering and implementation procedures. As per RCAK

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recommendations both parties agreed that the changes be made starting in this 2006 construction season, and continually be improved in the next two years until EU standards are achieved. RCAF will prepare a detailed request on topics that require support of KCBS in order to develop tendering and technical procedures in compliance with EU regulations.

**KACP:** KCBS completed the Kosovo Association of Concrete Producers [KACP] strategic plan along with income generation program and financial plan for KACP. The interim association board agreed that the strategic plan should be presented to the first annual association meeting for discussion and be approved by the elected board members at the latest by end of April.

**Metal Processors:** KCBS participated in a working group organized by GTZ and Kosovo Chamber of Commerce for Metal Processors in order to do aSWOT analysis for the potential association. The participants were confused and most of the time they were focused on the macro economy rather than association developments and the metal industry as a whole; as a result some of the outcomes were not clear. KCBS advised the attendees that the association should be focused more on development of the metal industry and not only on narrow specific issues. The metal industry is very broad, each sector having different processes and interests; it will be necessary to create specialist committees within the association in order to cover the entire metal industry.

## 8.0 GENERAL BUSINESS SERVICES

### 8.1 Business Constraints

#### 8.1.1 Improving the business environment

**Private-Public Dialog:** The Private-Public Dialog was an exercise created to identify both private and public sector responses to the business constraints targeted by the Ohrid Conference last June. With the beginning of the New Year, the private sector participants were given the responsibility for the further advancing the recommendations from the Private-Public Dialog's task groups. The close working relationship developed between former rivals, AKB and OEK during the Dialog process held as together this quarter they launched a series of public meetings on developing formal steps to implement selected recommendations. In February, OEK published a special edition of its newsletter, *Informatori* that focused on the PPD recommendations. KCBS contributed an article to this publication and subsidized the printing costs. This quarter the OEK published a special edition on the recommendations.

**Promoting women in business:** Women account for half of the Kosovar workforce yet over 60 percent women are not permanently employed. Many do contribute to the Kosovo economy through small associations that produce handcraft and specialty food products. However, these groups remain overwhelming in the informal economy. There is anecdotal and market evidence that there are viable markets for such goods both locally and internationally. USAID projects in both Macedonia and Serbia have successfully created regional suppliers of handicrafts by training and organizing similar women's associations. On the recent association study tour to the U.S., the women's association representative met with Kosovar and Serbian Diaspora groups who claimed that they would consume all of the traditional products that they could obtain, especially in the Christmas and Easter holiday seasons.

Serving such markets, however, would demand greater capacity available through existing isolated groups and greater attention to quality standards now being practiced. KCBS identified the Macedonian Artisans Trade Association (MATA), which is helping to artisan associations in Macedonia in forming successful and self-sustainable artisan cooperatives, as a model for fostering such organizations in Kosovo. KCBS does not have the resources to develop these organizations directly. Therefore, KCBS sought out PISG and donor agencies that might be able to provide direct assistance. Women for Women International (Kosovo) prepared a list of selected women association from which KCBS will chose to attend MATA workshop. IOM has offered to be one of donors with funds of €10,000 for business plans approved by MATA.

**Improving Access to Business Services:** During this quarter GBS team members discussed with EAR about the new business service provider voucher program. The pilot project ended on March 31, 2006. KCBS has emphasized the need for shifting the certification process out of EAR and MTI to an independent Business Service Provider Association. The new voucher program is expected to start soon and USAID has already expressed its support through the KSCB program. For more on the newly formed Business Consulting Council (BCC) see section 8.3.3 below.

**Improving Industry Information:** KCBS hosted a workshop on designing and developing statistical databases to monitor industry and general economic trends to promote interests from investors, lenders, suppliers, and customers as well as create measures of best practices for member firms and for associations and their management teams.

**Quality Standards Development and Protection:** A *Standardization workshop* was held by Richard Wheatley, EAR's senior standardization, for the KCBS staff. In this workshop Richard presented the current status of the standardization administrative agencies in Kosovo, what needs to happen next, and how KCBS can use these agencies to advance quality and health standards in its clusters. At another workshop, hosted by KCBS at which Vladimir Kokarev, Food Safety Specialist, presented the Macedonian experience on

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HACCP, EUREPGAP, and ISO standards development, it was proposed that AKA will be in charge to provide future information on food safety standards to the Kosovo agribusinesses and to engage international companies that provide training on implementation and certification for the quality standards.

As part of the U.S. Association Study Tour in February, participating association leaders were introduced to several independent, self-financing association operated product, process, and organizational standards programs. Efforts to replicate these models will be undertaken later this year. The first of these, a *KAMP Best Practices Certificate Program* to promote better dairy farm management, has been designed and implementation has started. This self-financed pilot project, tied to bank lending and equipment financing, should prove to be a valuable revenue source for KAMP.

### 8.1.2 Improved access to finance

Unlike past attempts to increase financing by subsidizing the cost of borrowing, which have been proven to be only short-term band-aid solutions, KCBS is focusing on reducing components of risk. These, in turn, center around four themes: more intelligent borrowing, more informed lending, expanding the range of finance tools beyond bank loans, and improved market and industry intelligence.

**Improving borrowing:** As part of the activities under its grant agreement, AKA finished its research report on access to credit. At KCBS' recommendation the research shifted focus from who has the lowest rates to why agribusinesses loan applications were rejected. As suspected, most of the rejections were due to poor applications and lack of sufficient financial documentation not interest rate levels. This document will provide the foundation for designing a training program for AKA members tailored specifically to improving the quality, accuracy, and thoroughness of AKA member loan applications. The identified topics of the training program are: a) Financial records and statements as instruments for strengthening your loan application; b) business plan preparation; c) contracts as collateral. The training sessions will take place in April respectively in Pristina and Prizren.

**Improved Lending:** To better evaluate the success of the previous quarter's first ever Finance Fair, KCBS contracted UBO Creations to conduct an analysis of the Fair's impact on attendees. Through three focus groups that included representatives of financial community, borrowers from business community, and business service providers, respectively, UBO reported that while most considered the Fair a success, several recommended improvements including: moving to a larger facility; making payment and participation in the workshops more transparent and more informed, and shifting more of the costs to the finance institutions. They also complained about the poor management of the registration process leading KCBS to recommend that a professional conference management team be hired next year.

To prepare for the next Finance Fair, KCBS prepared and presented to the Kosovo Bankers Associations (KBA) and the Association of Microfinance Institutions of Kosovo (AMIK) a detailed Master Planning Checklist (MPC) covering nine months leading up to the next Fair, which the two associations agreed to hold on October 9, 2006. KBA's and AMIK's boards agreed to move forward with a new fair by adopting the MPC activities. They also agreed, at KCBS' suggestion, to register one new joint venture organization established by KBA and AMIK, which will hold the copyrights to any logo, brand name and materials prepared for the future Finance Fairs. Next quarter KBA and AMIK with KCBS assistance will undertake all necessary planned activities in preparation of Finance Fair stated in MPC.

**Expanding the range of Finance Tools.** The GBS team members attended the Belgrade Finance Fair, the largest of this kind in the former Yugoslavia with KBA's and AMIK's executive directors. There we met several banks, equipment manufacturers and distributors and business service providers who expressed interest in participating in the next Kosovo Fair. These included collection agents, investment banks, and e-banking

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service providers. Their participation will help the financial services sector to take the next step in its maturation. In addition, the GBS worked with Michael Gold and the Construction Cluster in developing Joint Venture training.

### 8.2 Business Associations

KCBS' unique experiment in cluster development is focusing from the very beginning on the sustainability of new practices, procedures and business models after donors leave Kosovo. Associations have been targeted as the primary institutions responsible for managing this sustainability. Because of this approach, KCBS has undertaken two parallel goals in association development:

- Creating associations committed with an incentive to self-sufficiency from their inception
- Developing association professional management practices built from existing business service providers (BSPs).

#### 8.2.1 Institutional Development

**KAMP, SHPUK and AKA:** The associations of the first round of grants (KAMP, SHPUK and AKA) submitted their first quarterly reports. Approval of the quarterly reports for KAMP and SHPUK by KCBS staff took longer than expected due to some difficulties related to income statement preparation by REA and other report requirements that the management company had to fulfill. The AKA report was in a better shape, even though the set of deliverables (three reports) prepared by KDC, AKA's contracted management firm, suffered in terms of quality and substance. All three associations of the first round have already started generating some revenues to cover their total budgets. AKA's main revenue generator was a visit to Agrotica fair 2006 in Thesaloniki in February.

After paying no attention to recruiting members or collecting dues in the first quarter of the grants, KAMP and SHPUK have been more aggressively focused on increasing the membership and membership dues with KCBS' prodding. KAMP and SHPUK finalized the price schedules for services targeting both members and non-members. For KAMP the membership fee is fixed as €2 per cow. So far, KAMP has collected more than €2,500 from 35 members at three regional meetings. Such campaign will continue in the next quarter.

SHPUK has collected more than €3,500 from 32 members at four regional meetings, less than half of the 70 members targeted for the recruitment campaign. This is surprising given the highly visible attention SHPUK has attracted in dealing with the avian flu pandemic. Furthermore during this quarter SHPUK enjoyed a strong turnout at its annual meeting, with representatives of US Office in Belgrade, USA Poultry and Egg Export Council, (a US trade association), and representatives of the Hungarian poultry sector and KCBS all addressing the event. Since the annual meeting in February, SHPUK has a new board of directors, which is being particularly active on the issue of avian flu. In this direction SHPUK activities have been more focused on promoting the safety of local eggs and poultry products. At a MAFRD media briefing on the impact of avian flu on local poultry industry, SHPUK promoted strongly local products. A high profile media conference has been planned for early April to engender more balanced reporting on this sensitive issue.

Both KAMP and SHPUK launched their websites this quarter, which are maintained on regular basis by the REA team. AKA website is under process and will be launched in April.

**AWPK:** This quarter KCBS' concerns on the performance of the APWK management and board have been confirmed by an audit of AWPK's financial operations in March, which identified several problems. KCBS seriously doubts that the association has the financial resources, the management capacity, or the board commitment to meet its strategic goals for 2006. A similar review of the association's financial management system carried out by CBDC - AWPK contractor - confirmed that AWPK had no financial management system and practices in place. Even though the AWPK board of directors did not challenge any of

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the findings of the review, it took a very defensive approach with regard to the criticism pertaining to the management of the association. We suspect that the board did not want to admit the gravity of the situation and accept the responsibilities laying on them. This attitude reflects the same lack of board stewardship for association financial stability witnessed in KAMP's and SHPUK's inattention to member recruitment and dues collection. We are crediting this attitude to a decade of uncritical donor support and believe that we must train and encourage boards to become more fiscally responsible. GBS team set specific measures and deadlines to AWPK board as preconditions for continuation of KCBS support.

In the meantime, AWPK is going ahead with its preparation for the trade fair. Against the recommendation of the feasibility study, AWPK will hold the fair as early as May this year. AWPK engaged OEK as its contractor to manage most of the fair's operational tasks.

**RCAK:** Early this quarter RCAK and KCBS signed the grant agreement on the implementation of the first year of RCAK's strategic plan. Immediately after, RCAK started with the implementation of the activities as per the grant agreement. Six new members are recruited during the first quarter of 2006. RCAK became a non-voting member of the MTI Licensing Committee, recognized as the representative of five trade associations, including the OEK. The fair to Karls Ruhe in Germany failed due to visa problems, while the preparations for a World Learning training program for a group of Kosovo asphalt producers in Berlin are on-going.

**KPDA:** Late in this quarter, immediately following a public roll-out of several new cheese products by KDPA members, the association and KCBS signed the grant agreement on implementation of the first year of KDPA strategic plan. The agreement between KDPA and AFAS, selected business service provider, was signed at the same time. In the meantime preparations for some of the first quarter activities such as KDPA database, marketing brochure, newsletter and website already started.

### 8.2.2 Capacity building

**Association Roundtable:** The attendees to Association Management Study Tour have agreed to follow up with the monthly meetings to be hosted by each association that participated. Other associations will also be invited to attend. At the first meeting hosted by AKA all agreed to form an Association Advisory Council which would work with government agencies to collect, elaborate and address the association common issues such as fiscal and financial policy, quality standards, law development and enforcement, etc. At the next meeting SCAAK will hold a workshop on how association decision-makers, including board members and executive directors, can use financial statements as tools to better govern and manage associations. KCBS-sponsored associations as well as other associations such as the Kosovo Chamber of Commerce and the American Chamber of Commerce will attend the meeting.

### 8.2.3 Professional Development

**US study tour:** All attendees to the US study visit were very much pleased with the visit and content of the training program. All of the presenters went far beyond what was asked to deliver providing the attendees with extended formal presentations involving several staff members. The team learned from some of the leading experts in the US and the world on the role of nonprofits in providing quality standards programs, statistical research, advocacy, and investment capital. All of the presenters stressed common themes:

- focus on the needs of the members' customers (not the members) to grow the market;
- associations represent their *industries* not their *members*;
- develop a portfolio strategy for funding by looking beyond direct members and beneficiaries for funding and fee-for-service sales opportunities;
- avoid direct government participation; and



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- stay focused by staying within their strategic plans.

Kosovar associations seem encouraged to use the experience gained at the study tour to focus their activities on industries they are representing and fee for services opportunities in order to successfully implement their strategic plans

**Business Consultants Council:** Nine meetings of business service providers were organized this quarter. The founders of the association unanimously agreed on the official name of their organization, the Business Consultants Council (BCC). The group also agreed to establish the Business Service Quality Institute, which will take care of the certification and quality aspects of the business services, under the umbrella of the Council but as a separate body to assure transparency and avoid conflicts of interest. Vision and mission statements are finalized with an eye on market and customers' needs. The BCC strategic plan and the first year budget are taking shape. KCBS has served as a facilitator and chaired a number of meetings. We are also providing technical support in the area of association development and by-laws compilation. Success of this initiative is important to KCBS for two reasons: 1) It is one of the goals of GBS team to support the development of the BSP market in Kosovo. A successful association of BSPs shows a sign of maturation of such market. (It will result in a win-win situation for both the BSPs and businesses in general as consumers of such services); 2) Success of BCC will confirm that the model of a self-sustainable and market-oriented association may exist in Kosovo

### 8.3 Business Support Services

#### 8.3.1 Upgrade of accounting and auditing practices to international standards

The SCAAK/PIRAMIDA project to harmonize the financial recordkeeping practices in the minority regions with the rest of Kosovo successfully finished the first phase of training of trainers. Training of accounting professionals also began this quarter. Six of Piramida's trainers successfully finished training and became competent in the area of accounting practice and actual tax regulation and public lecturing. These trainers will educate other accounting professionals in minority regions. During this quarter Piramida finished the first round of accounting trainings in Mitrovica with 9 participants and in Gracanica with 11 participants. After extensive delays at the beginning of this project, SCAAK and Piramida are now keeping to their scheduled. SCAAK noted in its second report, "One of the lesson learned this month is that good planning and efficient management are necessary preconditions for success. With more realistic scheduling, all planned activities are performed without delay."

#### 8.3.2 Assess market demand for consulting services

Terms of reference for the SWOT and GAP analysis for the business services sector were published as scheduled. KCBS chose to sole-source this subcontract with UBO Creations for it conducted the only other business services study for Kosovo in 2003. They, therefore, have historical data by firm that will provide a measure of change over time. The analysis will be undertaken in the second calendar quarter of 2006.

#### 8.3.3 Improve the capacity of local service providers

See Business Consultants Council under 8.2.3 above.

#### 8.3.4 Regional cooperation

During this quarter several important regional contacts was made. GBS team members participated in meetings of Agricultural Committee of U.S. Embassy for Serbia and Montenegro in Belgrade. Cooperation was established with several USAID counterpart projects in Serbia, Montenegro and Macedonia (SADA, SEDP, MCA, and Mercy Corps). Several opportunities were identified for further cooperation including standards development, piggybacking on distribution channels, and combining marketing efforts. KCBS will develop specific activities in the next quarter beginning with a standards testing

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meeting in Skopje in April to be co-hosted by LCBS and Land o' Lakes. The Macedonian Competitiveness Activity project in Macedonia has offered to share its success in developing the grape industry. KCBS will discuss with USAID whether or not the project will take up this offer. Sustainable development of associations is underlined in these contacts and the idea to hold regional roundtables to share experience and strategy was discussed.

### **8.3.5 Minority business development**

GBS team members together with other KCBS cluster specialist and STTA continued to support development of Clusters clients companies in Minority regions. Special attention was directed to the support of farmers and dairy processors in improving milk quality and milk production. Dairy plants "Lahor" – received STTA assistance in developing new products. Results of this assistance will have direct impact on company productivity and profitability.

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

During this reporting period, KCBS through SAF awarded 5 fixed price subcontracts and 7 simplified grants. The value of signed awards for this quarter was €173,322. From this value, €19,256 were awarded for subcontracts, €151,340 for grants, and €2,726 for procurement of goods (the updated of cost for Veterinarian Laboratory Equipment).

Two grants and two subcontracts were awarded to Livestock Cluster with value of €30,941; two grants were awarded to Fruit and Vegetables Cluster with value of €43,600, one subcontract was awarded to Construction Materials Cluster with value of €3,500; and 2 grants and two subcontracts were awarded to General Business Support, with value of €77,555.

From the start of the project until end of March 2006, KCBS through SAF has signed 37 fixed price subcontracts and 15 simplified grant agreements. Total value of signed subcontracts, grants and procurement of goods is €735,368. From this value, €379,175 has been awarded for subcontracts, €337,796 for grants and €18,397 for procurement of goods. Fifteen subcontracts and four grants have been signed for livestock cluster in total value of €301,755; two grants and two subcontracts with fruit and vegetables cluster for €48,310; four subcontracts and two grants in construction material cluster for €44,137; and 16 subcontracts and seven grants, for general business support for €341,166.

From 37 subcontracts approved throughout the project, 30 have been completed successfully, six subcontracts are ongoing and one was terminated. From total of 15 grants, two are completed and 13 are ongoing.

The interest of organizations to apply for funds remained high during this quarter. During this reporting period SAF has received 33 concept papers from different local organizations. From these 19 organizations were notified that their concept papers were rejected and to each of the organization KCBS sent notification for rejection with explanation why their concept papers were not acceptable. 11 organizations were recommended to submit the full grant applications and 3 concept papers were in the reviewing process before the end of this report.

Apart from request for proposals for Subcontracts that were issued, KCBS issued two RFA's in February. The purpose of RFA's was to solicit applications for increasing efficiency and functionality of milk collection centers, one was for Dukagjini area and the other for "Kosovo valley". KCBS received three applications for Dukagjini area, and non for "Kosovo valley". From three applications for Dukagjini area one was disqualified and not processed further as the organization that submitted the application did not comply with RFA requirements. Two applications that were evaluated by the SAF selection committee did not get positive evaluation by members of the selection committee therefore no grant was awarded from this RFA. As a result of this experience, KCBS decided to prepare a SOW and support the activity for MCC increasing functionality and efficiency through fixed price subcontract. This way KCBS will clearly describe in the SOW the tasks and deliverables that are expected through implementation of the subcontract.

During this reporting period KCBS has received the first quarterly reports from associations awarded grants for implementation of their strategic plans. Before these reports were submitted SAF team organized a meeting with organizations to explain to them in details reporting format and required information. Present at this meeting were all awarded associations. The review of reports from associations took longer than anticipated by KCBS, because they were missing information that was considered essential by KCBS; but after few meetings and help that was provided by KCBS the reports were approved. KCBS will continue to support associations to improve their reporting skills for next quarter. First step in that direction is that the reporting format now has more detailed description on what kind of information KCBS is asking for.

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

## 10.0 PERFORMANCE-BASED MANAGEMENT SYSTEM

### 10.1 Summary

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

### 10.2 Data collection

The data is collected from 67 companies in all three clusters.

From this number of companies, only 59 companies are active clients. 8 companies are in our database marked as non-active clients.

Indicators for performance in the quarter are as follows:

Total number of enterprises	59
Total value of sales	12,244,321
Total value of production	8,816,375
Total Full-time Equivalent	1,138
Total value of financing	1,423,000
Total value of investment	1,661,529

From the list of 59 companies the data has been collected for 30 companies from the Livestock [Dairy-Beef-Poultry-Animal Feed] Cluster, 11 companies from Fruits and Vegetables Cluster and 18 companies from Construction Materials Cluster.

#### 10.2.1 Livestock [Dairy-Beef-Poultry-Animal Feed] Cluster

Total number of enterprises	30
Total value of sales	9,232,956
Total value of production	6,472,762
Total Full-time Equivalent	493
Total value of financing	516,000
Total value of investment	88,000

#### 10.2.2 Fruits and Vegetable Cluster

Total number of enterprises	11
Total value of sales	1,956,531
Total value of production	676,040
Total Full-time Equivalent	60
Total value of financing	15,000
Total value of investment	34,000

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### 10.2.3 Construction Materials Cluster

Total number of enterprises	18
Total value of sales	1.054.834
Total value of production	1,667,573
Total Full-time Equivalent	585
Total value of financing	892,000
Total value of investment	1,539,529

### 10.3 Quality of the data.

The cluster advisors are responsible for the first-order data quality control. The quality checks have been made to ensure that data collected and included in database are accurate and reliable. Currently there are 8 non-active clients. The main reason was that these companies were non-cooperative and KCBS interventions were suspended.

### 10.4. Multiplier effect survey

During this quarter, multiplier effect survey conducted and a separate report was prepared. This will be discussed with USAID in the next quarter.

### 10.5 Data verification

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

### 10.6. Status of the indicators

The status of indicators, which can be monitored quarterly, relating to sales, jobs, investment and financing are set out below. Changes over the baseline numbers at enterprises where KCBS has intervened in the first two quarters of FY 2006 are:

#### IR.1.3.1 Increased Competitiveness of Targeted Clusters

Indicator 1: Total sales among targeted enterprises

There is an increase in the value of the sales in the first two quarters amounting to €10,615,581 over the same two quarter period in the baseline year.

Indicator 2: Jobs created among targeted clusters

There is an increase of 145 jobs in the first two quarters over the same two quarter period in the baseline year.

Indicator 3: Labor productivity among targeted enterprises

There is an increase of 55% in labor productivity over the baseline year.

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### I.R.1.3.1.1. Improved Productive Capacity of Private Enterprise

Indicator 1: Value of cumulative capital investment within targeted enterprises

In the first two quarters capital investment amounted to €2,227,245. That amount is €279,035 less compared to the capital investment in the same two quarter period in the baseline year.

### I.R.1.3.1.3 Strengthened Capacity to Access Credit

Indicator 1: Value of financing within targeted enterprises

In the first two quarters financing amounted to €1,671,300. That amount is €805,275 more compared to the financing in the same two quarter period in the baseline year.

### I.R.1.3.2.3 Business Associations Responsive to Client Needs

Indicator 1: Number of associations with approved strategic plans

Target for FY 2006 is 3 more associations with approved strategic plans  
No strategic plans were approved during the first semester of FY 2006.

Indicator 2: Percent of non-donor revenues generated by associations

Target for FY 2006 is 7 associations with more than 70% generated from own revenues. To date none of the associations achieved that target.

Indicator 3: Number of associations employing non-volunteer staff

There are 9 associations employing non-volunteer staff during the first semester of FY 2006.

## 11.0 COMMUNICATIONS AND PUBLICITY

The project's success continues to be reflected in the success stories. Three new success stories were sent to USAID Washington during this quarter:

- New Loan Program created to help Dairy Farmers
- New Cheeses capture Local market
- Classification of Apples brings Extra Profit.

Together with the previous success stories they are being processed and will soon be published on the USAID website.

Communications activities in this quarter were focused on the Cheese Promotion Events as they proved successful and attracted media attention. The events held in Prizren, Ferizaj, Gjilan, Pristina and Gjakova introducing products developed by local dairy processors were covered by local media. These presentations also proved to be a way of linking dairy processors in Kosovo with each other. RTK has been following all these presentations and will produce a special coverage for "Bujku".

Education of the farmers continued through the publication of a number of brochures:

- Sheep Health Management
- Calf & Heifer Growth
- Oil Crops

An Albanian language version of the KCBS 2005 brochure was also produced and is being distributed.

Regular communications tasks such as media monitoring (a close follow-up of the landslide and the changes in the government), writing articles for USAID's E-news and assisting in presentations such as the Joint Venture presentation by Michael Gold were also covered. After last year's Finance Fair's Success, Communications and Business Support Specialists co-operated in putting together an action plan for Finance Fair 2006.

During the upcoming quarter Communications awaits the approval and publication of the success stories sent to USAID Washington. Other presentations, workshops and events will take place, promoting the KCBS Project striving towards the achievement of its goals.

**KCBS Quarterly Report**  
**Performance Monitoring Report - Summary of Quarterly Results**  
**January 2005 - March 2006**

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

SO# IR#	SO Name	Unit measure	Base-line Year	Base-line Value	2004 Actual	2005 Actual	2006 Target	Q1 2006 Actual	Q2 2006 Actual	Q3 2006 Actual	Q4 2006 Actual	2006 To Date
1.3	<b>Accelerated Private Sector Growth</b>											
Indicators												
1	Value of company profit taxes collected	Euros	2003	28,412,404	42,840,000	39,228,497	40,500,000	-	-			
2 (AR)	Exports as a percentage of imports	Percent	2003	3.70%	4.90%	5.59%	8.00%	4.65%	4.78%			
1.3.1	<b>Increased Competitiveness of Targeted Clusters</b>											
Indicators												
1	Total sales among targeted enterprises	Euro	2003	0	35,755,626	19%	10%	63%	68%			
2 (AR)	Jobs created within targeted clusters	Number	2003	0	0	295	600	338	262			
3	Labor productivity among targeted enterprises	Number	2005	0	0	-11%	10%	0%	60%			
1.3.1.1	<b>Improved Productive Capacity of Private Enterprises</b>											
Indicators												
1	Increased capital investment among targeted enterprises	Number	2004	0	0	2,341,908	3,000,000	565,716	977,245			
1.3.1.2	<b>Improved Quality Control</b>											
Indicators												
1	Number and type of standards approved by target associations	Number	2004	0	0	0	TBD	-	-			
1.3.1.3	<b>Strengthened Capacity to Access Credit</b>											
Indicators												
1	Increased financing among targeted enterprises	Euro	2003	0	0	2,081,375	6,000,000	100,625	851,300			



**KCBS Quarterly Report**  
**Performance Monitoring Report - Summary of Quarterly Results**  
**January 2005 - March 2006**

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

SO# IR#	SO Name	Unit measure	Base-line Year	Base-line Value	2004 Actual	2005 Actual	2006 Target	Q1 2006 Actual	Q2 2006 Actual	Q3 2006 Actual	Q4 2006 Actual	2006 To Date
<b>1.3.2</b>	<b>Improved Business Operating Environment</b>											
Indicators												
1 (AR)	Number of companies registered - two quarters	Number	2003	30,966	40,703	48,497	47,000	51,078	52,913			
2	Business Environment Index (reduction of business constrains)							-	-			
	a. Cost to create collateral - % of income per capita	Percent	2004	22.0%		N/A	16.0%	-	-			
	b. Private bureau coverage - number of borrowers per 1000 capita	Number	2004	46.8		N/A	100.0	-	-			
	c. Cost of enforcing contracts - cost as a % of debt.	Percent	2004	29.0%		N/A	26.0%	-	-			
	d. Number of unresolved claims	Number	2004	N/A		N/A	TBD	-	-			
<b>1.3.2.1</b>	<b>Strengthened Business Consulting Services</b>											
Indicators												
1	Number of businesses using business consulting services	Number	2004	0	0	N/A	TBD	-	-			
<b>1.3.2.2</b>	<b>Improved Capacity for Policy Dialog</b>											
Indicators												
1	Number of Private-Public Task Group irecommendations implemented	2004	0	0	0	N/A	TBD	-	-			
<b>1.3.2.3</b>	<b>Business Associations Responsive to Client Needs</b>											
Indicators												
1	Number of associations with approved strategic plans	Number	2004	0	0	7	10	-	-			
2	Percent of non-donorrevenues generated by the associations	Percent	2003	0	0	4>50%	7>70%	-	2>50%			
3	Number of associations employing non-volunteer staff	Number	2004	0	0	7	5	-	9			

**KCBS Quarterly Report**  
**Performance Monitoring Report - Annual Goals and Results**  
**January 2005 - March 2006**

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

SO# IR#	SO Name	Unit measure	Base-line Year	Base-line Value	2004 Target	2004 Actual	2005 Target	2005 Actual	2006 Target	2006 Actual	2007 Target	2007 Actual	2008 Target	2008 Actual
<b>1.3</b>	<b>Accelerated Private Sector Growth</b>													
Indicators														
1	Value of company profit taxes collected	Euros	2003	28,412,404	34,100,000	42,840,000	38,200,000	39,228,497	40,500,000	0	42,100,000		43,800,000	
2 (AR)	Exports as a percentage of imports	Percent	2003	3.70%	4.00%	4.90%	6%	5.59%	8%	4.78%	10%		12%	
<b>1.3.1</b>	<b>Increased Competitiveness of Targeted Clusters</b>													
Indicators														
1	Total sales among targeted enterprises	Euro	2003	0	0	35,755,626	5%	19%	10%	68%	17.50%		25%	
2 (AR)	Jobs created within targeted clusters	Number	2003	0	0	0	200	295	600	262	1100		1700	
3	Labor productivity among targeted enterprises	Number	2005	0	0	0	5%	-11%	10%	60%	15%		20%	
<b>1.3.1.1</b>	<b>Improved Productive Capacity of Private Enterprises</b>													
Indicators														
1	Increased capital investment among targeted enterprises	Number	2004	0	0	0	1,500,000	2,341,908	3,000,000	977,245	4,000,000		5,000,000	
<b>1.3.1.2</b>	<b>Improved Quality Control</b>													
Indicators														
1	Number and type of standards approved by target associations	Number	2004	0	0	0	0	0	TBD	0	TBD		TBD	
<b>1.3.1.3</b>	<b>Strengthened Capacity to Access Credit</b>													
Indicators														
1	Increased financing among targeted enterprises	Euro	2003	0	0	0	3,000,000	2,081,375	6,000,000	851,300	10,000,000		16,000,000	

**KCBS Quarterly Report**  
**Performance Monitoring Report - Annual Goals and Results**  
**January 2005 - March 2006**

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

SO# IR#	SO Name	Unit measure	Base-line Year	Base-line Value	2004 Target	2004 Actual	2005 Target	2005 Actual	2006 Target	2006 Actual	2007 Target	2007 Actual	2008 Target	2008 Actual
1.3.2	<b>Improved Business Operating Environment</b>													
<b>Indicators</b>														
1 (AR)	Number of companies registered - two quarters	Number	2003	30,966	37,000	40,703	42,000	48,497	47,000	52,913	51,000		54,000	
2	Business Environment Index (reduction of business constrains)													TBD
	a. Cost to create collateral - % of income per capita	Percent	2004	22.0%			N/A	N/A	16.0%	0.0%	12.0%			8.0%
	b. Private bureau coverage - number of borrowers per 1000 capita	Number	2004	46.8			N/A	N/A	100.0	0.0	200.0			400.0
	c. Cost of enforcing contracts - cost as a % of debt.	Percent	2004	29.0%			N/A	N/A	26.0%	0.0%	23.0%			20.0%
	d. Number of unresolved claims	Number	2004	N/A			N/A	N/A	TBD	0	TBD			TBD
1.3.2.1	<b>0</b>													
<b>Indicators</b>														
1	Number of businesses using business consulting services	Number	2004	0	0	0	N/A	N/A	TBD	0	TBD			TBD
1.3.2.2	<b>Improved Capacity for Policy Dialog</b>													
<b>Indicators</b>														
1	Number of Private-Public Task Group irecommendations implemented	2004	0	0	0	0	N/A	N/A	TBD	0	TBD			TBD
1.3.2.3	<b>Business Associations Responsive to Client Needs</b>													
<b>Indicators</b>														
1	Number of associations with approved strategic plans	Number	2004	0	0	0	6	7	10	0	14			20
2	Percent of non-donorrevenues generated by the associations	Percent	2003	0	0	0	4>50%	4>50%	7>70%	2>50%	10>80%			14>80%
3	Number of associations employing non-volunteer staff	Number	2004	0	0	0	3	7	5	9	8			14

**KCBS Quarterly Report**  
**Performance Monitoring Report - Summary of Quarterly Results**  
**January 2005 - March 2006**

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

SO# IR#	SO Name	Unit measure	Base-line Year	Base-line Value	2004 Actual	2005 Actual	2006 Target	Q1 2006 Actual	Q2 2006 Actual	Q3 2006 Actual	Q4 2006 Actual	2006 To Date
1.3	<b>Accelerated Private Sector Growth</b>											
Indicators												
1	Value of company profit taxes collected	Euros	2003	28,412,404	42,840,000	39,228,497	40,500,000	-	-			
2 (AR)	Exports as a percentage of imports	Percent	2003	3.70%	4.90%	5.59%	8.00%	4.65%	4.78%			
1.3.1	<b>Increased Competitiveness of Targeted Clusters</b>											
Indicators												
1	Total sales among targeted enterprises	Euro	2003	0	35,755,626	19%	10%	63%	68%			
2 (AR)	Jobs created within targeted clusters	Number	2003	0	0	295	600	338	262			
3	Labor productivity among targeted enterprises	Number	2005	0	0	-11%	10%	0%	60%			
1.3.1.1	<b>Improved Productive Capacity of Private Enterprises</b>											
Indicators												
1	Increased capital investment among targeted enterprises	Number	2004	0	0	2,341,908	3,000,000	565,716	977,245			
1.3.1.2	<b>Improved Quality Control</b>											
Indicators												
1	Number and type of standards approved by target associations	Number	2004	0	0	0	TBD	-	-			
1.3.1.3	<b>Strengthened Capacity to Access Credit</b>											
Indicators												
1	Increased financing among targeted enterprises	Euro	2003	0	0	2,081,375	6,000,000	100,625	851,300			

**KCBS Quarterly Report**  
**Performance Monitoring Report - Summary of Quarterly Results**  
**January 2005 - March 2006**

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

SO# IR#	SO Name	Unit measure	Base-line Year	Base-line Value	2004 Actual	2005 Actual	2006 Target	Q1 2006 Actual	Q2 2006 Actual	Q3 2006 Actual	Q4 2006 Actual	2006 To Date
<b>1.3.2</b>	<b>Improved Business Operating Environment</b>											
Indicators												
1 (AR)	Number of companies registered - two quarters	Number	2003	30,966	40,703	48,497	47,000	51,078	52,913			
2	Business Environment Index (reduction of business constrains)							-	-			
	a. Cost to create collateral - % of income per capita	Percent	2004	22.0%		N/A	16.0%	-	-			
	b. Private bureau coverage - number of borrowers per 1000 capita	Number	2004	46.8		N/A	100.0	-	-			
	c. Cost of enforcing contracts - cost as a % of debt.	Percent	2004	29.0%		N/A	26.0%	-	-			
	d. Number of unresolved claims	Number	2004	N/A		N/A	TBD	-	-			
<b>1.3.2.1</b>	<b>Strengthened Business Consulting Services</b>											
Indicators												
1	Number of businesses using business consulting services	Number	2004	0	0	N/A	TBD	-	-			
<b>1.3.2.2</b>	<b>Improved Capacity for Policy Dialog</b>											
Indicators												
1	Number of Private-Public Task Group irecommendations implemented	2004	0	0	0	N/A	TBD	-	-			
<b>1.3.2.3</b>	<b>Business Associations Responsive to Client Needs</b>											
Indicators												
1	Number of associations with approved strategic plans	Number	2004	0	0	7	10	-	-			
2	Percent of non-donorrevenues generated by the associations	Percent	2003	0	0	4>50%	7>70%	-	2>50%			
3	Number of associations employing non-volunteer staff	Number	2004	0	0	7	5	-	9			

## KCBS Quarterly PBMS Report

### Annual Goals and Results

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

SO# IR#	SO Name	Unit measure	Base-line Year	Base-line Value	2004 Target	2004 Actual	2005 Target	2005 Actual	2006 Target	2006 Actual	2007 Target	2007 Actual	2008 Target	2008 Actual
<b>1.3</b>	<b>Accelerated Private Sector Growth</b>													
Indicators														
1	Value of company profit taxes collected	Euros	2003	28,412,404	34,100,000	42,840,000	38,200,000	39,228,497	40,500,000	0	42,100,000		43,800,000	
2 (AR)	Exports as a percentage of imports	Percent	2003	3.70%	4.00%	4.90%	6%	5.59%	8%	4.78%	10%		12%	
<b>1.3.1</b>	<b>Increased Competitiveness of Targeted Clusters</b>													
Indicators														
1	Total sales among targeted enterprises	Euro	2003	0	0	35,755,626	5%	19%	10%	68%	17.50%		25%	
2 (AR)	Jobs created within targeted clusters	Number	2003	0	0	0	200	295	600	262	1100		1700	
3	Labor productivity among targeted enterprises	Number	2005	0	0	0	5%	-11%	10%	60%	15%		20%	
<b>1.3.1.1</b>	<b>Improved Productive Capacity of Private Enterprises</b>													
Indicators														
1	Increased capital investment among targeted enterprises	Number	2004	0	0	0	1,500,000	2,341,908	3,000,000	977,245	4,000,000		5,000,000	
<b>1.3.1.2</b>	<b>Improved Quality Control</b>													
Indicators														
1	Number and type of standards approved by target associations	Number	2004	0	0	0	0	0	TBD	0	TBD		TBD	
<b>1.3.1.3</b>	<b>Strengthened Capacity to Access Credit</b>													
Indicators														
1	Increased financing among targeted enterprises	Euro	2003	0	0	0	3,000,000	2,081,375	6,000,000	851,300	10,000,000		16,000,000	

## KCBS Quarterly PBMS Report

### Annual Goals and Results

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

SO# IR#	SO Name	Unit measure	Base-line Year	Base-line Value	2004 Target	2004 Actual	2005 Target	2005 Actual	2006 Target	2006 Actual	2007 Target	2007 Actual	2008 Target	2008 Actual
1.3.2	<b>Improved Business Operating Environment</b>													
Indicators														
1 (AR)	Number of companies registered - two quarters	Number	2003	30,966	37,000	40,703	42,000	48,497	47,000	52,913	51,000		54,000	
2	Business Environment Index (reduction of business constrains)												TBD	
	a. Cost to create collateral - % of income per capita	Percent	2004	22.0%			N/A	N/A	16.0%	0.0%	12.0%		8.0%	
	b. Private bureau coverage - number of borrowers per 1000 capita	Number	2004	46.8			N/A	N/A	100.0	0.0	200.0		400.0	
	c. Cost of enforcing contracts - cost as a % of debt.	Percent	2004	29.0%			N/A	N/A	26.0%	0.0%	23.0%		20.0%	
	d. Number of unresolved claims	Number	2004	N/A			N/A	N/A	TBD	0	TBD		TBD	
1.3.2.1	<b>0</b>													
Indicators														
1	Number of businesses using business consulting services	Number	2004	0	0	0	N/A	N/A	TBD	0	TBD		TBD	
1.3.2.2	<b>Improved Capacity for Policy Dialog</b>													
Indicators														
1	Number of Private-Public Task Group recommendations implemented	2004	0	0	0	0	N/A	N/A	TBD	0	TBD		TBD	
1.3.2.3	<b>Business Associations Responsive to Client Needs</b>													
Indicators														
1	Number of associations with approved strategic plans	Number	2004	0	0	0	6	7	10	0	14		20	
2	Percent of non-donor revenues generated by the associations	Percent	2003	0	0	0	4>50%	4>50%	7>70%	2>50%	10>80%		14>80%	
3	Number of associations employing non-volunteer staff	Number	2004	0	0	0	3	7	5	9	8		14	

**KCBS Quarterly Report**  
**Performance Monitoring Report - New Common Indicators**  
**January 2005 - March 2006**

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

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SO# IR#	SO Name	Unit measure	2005 Actual	2006 Target	2006 Actual	2007 Target	2007 Actual	2008 Target	2008 Actual
1.3	<b>Accelerated Private Sector Growth</b>								
<b>Indicators</b>									
1	Total number of enterprises benefiting from USAID business development assistance	Number	56	62	68	68		75	
2	Number of entrepreneurs receiving services supported by USAID	Number	56	67	68	80		96	
3	Number of firms using improved accounting and reporting as result of USAID assistance	Number	40	48	31	58		70	
4	The number of people trained	Number	4,113	4,500	1,252	4,900		5,400	
5	Number of full time jobs in excess of two weeks	Number	295	600	262	1,100		1,700	
6	Number of USAID-assisted transactions completed by local firms with US and other foreign firms	Number	795	950	245	1,140		1,370	
7	Total annual value of transactions [imports and exports] of USAID-assisted firms with US and other foreign firms	Euro	26,572,245	31,800,000	4,293,922	38,000,000		45,600,000	
8	Number of people trained in trade or investment	Number	None	None	None	None		None	
9	Has your mission engaged in programs to improve the business environment	Yes/No	Yes	Yes	Yes	Yes		Yes	
10	Did your program described above have a positive impact	Yes/No	USAID	USAID	USAID	USAID		USAID	

\*\*\*\*\* Results are for the Six Months ending 31 March 2006.

Further explanatory notes are shown on the next page.



## **Status of the New Common Indicators:**

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

The actual number of USAID–assisted enterprises for Q2 – 2006 is 59 and in addition there are 9 farms; so the total number of KCBS active clients is 68.

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

The actual number of entrepreneurs for 2006 is the same with the number of active KCBS clients.

### **Indicator: Number of firms using improved accounting and reporting as result of USAID assistance**

The total number of these enterprises is 31 in the second quarter 2006 based on the number of companies attended SCAAK’s accounting training through service provider Piramida in minority areas.

### **Indicator: Number of people trained**

- Number of participants in USAID-assisted presentations was 55.
- Number of participants in USAID-assisted seminars was 145.
- Number of participants in USAID-assisted trainings was 290.
- Number of participants in USAID-assisted training workshops was 433.
- Number of participants in USAID-assisted both seminars and workshops were 12.

Number of people attending other activities through USAID assistance:

- Number of people attending USAID-assisted conferences was 117.
- Number of people attending USAID-assisted roundtables was 17.
- Number of people participating in USAID-assisted study visits was 11.
- Number of people attending USAID-assisted demo presentations was 172.

Total number of participants in these activities was 1,252.

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

The number of full time jobs of 262 is related to the IR.1.3.1 (2) Jobs created within targeted clusters.

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

- Number of importing transactions
  - From US firms 8
  - From other foreign firms 215
- Number of exporting transactions
  - To US firms 0
  - To other foreign firms 22

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

- Value of importing transactions
  - From US firms 210,000
  - From other foreign firms 2,438,762
  
- Value of exporting transactions
  - To US firms 0
  - To other foreign firms 1,645,160

**KCBS Quarterly Report  
Strategic Activities Fund (SAF)  
January 2005 - March 2006**

**AWARDS BY CLUSTER**

KCBS Cluster	Total Approved €	Total Approved \$	Total Disbursed €	Total Disbursed \$	Remaining from Approved		
					To Be Reimbursed in €	Remaining Amount / Activities Closed €**	Total in €
Livestock	€ 301,755	\$ 374,736	€ 207,137	\$ 253,716.76	€ 94,618	€ -	€ 94,618
Fruits & Vegetables	€ 48,310	\$ 59,151	€ 4,710	\$ 5,751.43	€ 43,600	€ -	€ 43,600
Construction Materials	€ 44,137	\$ 56,209	€ 40,321	\$ 48,021.46	€ -	€ 3,816	€ 3,816
General Business Support	€ 341,166	\$ 425,055	€ 140,847	\$ 178,954.15	€ 196,019	€ 4,300	€ 200,319
<b>Grand Total</b>	<b>€ 735,368</b>	<b>\$ 915,151</b>	<b>€ 393,015</b>	<b>\$ 486,443.80</b>	<b>€ 334,237</b>	<b>€ 8,116</b>	<b>€ 342,353</b>

**AWARDS BY TYPES**

Types of Awards	Total Approved €	Total Approved \$	Total Disbursed €	Total Disbursed \$	Remaining from Approved		
					To Be Reimbursed in €	Remaining Amount / Activities Closed €*	Total in €
Grants	€ 337,796	\$ 411,244	€ 66,289	\$ 78,993	€ 267,691	€ 3,816	€ 271,507
Fixed Price Subcontracts	€ 379,175	\$ 481,195	€ 308,329	\$ 384,739	€ 66,546	€ 4,300	€ 70,846
Procurement of Goods	€ 18,397	\$ 22,712	€ 18,397	\$ 22,712	€ -	€ -	€ -
<b>Grand Total</b>	<b>€ 735,368</b>	<b>\$ 915,151</b>	<b>€ 393,015</b>	<b>\$ 486,444</b>	<b>€ 334,237</b>	<b>€ 8,116</b>	<b>€ 342,353</b>

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

Average Exchange Rate for Project Disbursements to date is \$1.2377 to One Euro

**KCBS Quarterly Report  
Strategic Activities Fund (SAF)  
January 2005- March 2006**

Last Update 31-Mar-2006

Type of Award	SAF Tracking No.	Awardees	Amount Approved €	Amount Approved \$	Date Signed	Award Term		Actual Ending Date	Total Disbursed €	Total Disbursed \$	Total Remaining/Approved		Status
						Started	End				To Be Reimbursed €	Remaining Amount / activity closed €	
<b>Livestock Cluster</b>													
Grants	LC-SGA-003	AGROCOOP	€ 14,060	\$ 16,940	23-Sep-2005	26-Sep-2005	26-Aug-2006		€ 5,466	\$ 6,674	€ 8,594	€ -	
	LC-SGA-010	FAUNA	€ 15,000	\$ 18,072	5-Jan-2006	5-Jan-2006	4-Jan-2007		€ 13,007	\$ 15,671	€ 1,993	€ -	
	LC-SGA-011	ASSOC. OF WHEAT SEED CULTIVATORS	€ 5,800	\$ 6,988	18-Jan-2006	18-Jan-2006	18-Jun-2006		€ 1,885	\$ 2,271	€ 3,915	€ -	
	LC-SGA-016	Graufi	€ 17,720	\$ 21,349	24-Mar-2006	26-Mar-2006	25-Aug-2006		€ -	\$ -	€ 17,720	€ -	
<b>Total Grants</b>			<b>€ 52,580</b>	<b>\$ 63,349</b>					<b>€ 20,358</b>	<b>\$ 24,617</b>	<b>€ 32,222</b>	<b>€ -</b>	
Fixed Price Subcontracts	LC-FPS-007	KAMP	€ 4,894	\$ 6,614	4-Apr-2005	4-Apr-2005	29-Apr-2005	29-Apr-2005	€ 4,894	\$ 6,525	€ -	€ -	CLOSED
	LC-FPS-008	KODAA	€ 22,297	\$ 30,131	8-Apr-2005	8-Apr-2005	11-Nov-2005	12-Nov-2005	€ 22,297	\$ 27,704	€ -	€ -	CLOSED
	LC-FPS-009	KDC	€ 23,816	\$ 32,184	8-Apr-2005	8-Apr-2005	11-Nov-2005	11-Nov-2005	€ 23,816	\$ 29,517	€ -	€ -	CLOSED
	LC-FPS-011	BIOLAB	€ 55,050	\$ 73,400	20-Jun-2005	20-Jun-2005	31-Jan-2006	1-Feb-2006	€ 55,050	\$ 66,694	€ -	€ -	CLOSED
	LC-FPS-012	KAMP	€ 5,130	\$ 6,840	13-May-2005	13-May-2005	10-Jun-2005	10-Jun-2005	€ 3,630	\$ 4,785	€ 1,500	€ -	CLOSED
	LC-FPS-013	KODAA	€ 3,950	\$ 5,130	29-Jun-2005	29-Jun-2005	15-Aug-2005	15-Aug-2005	€ 3,950	\$ 4,891	€ -	€ -	CLOSED
	LC-FPS-021	KODAA	€ 3,690	\$ 4,446	12-Sep-2005	12-Sep-2005	19-Nov-2005	17-Nov-2005	€ 3,690	\$ 4,478	€ -	€ -	CLOSED
	LC-FPS-022	REA	€ 18,000	\$ 22,222	30-Sep-2005	3-Oct-2005	16-Oct-2006		€ 7,500	\$ 9,103	€ 10,500	€ -	
	LC-FPS-023	KODAA	€ 21,076	\$ 26,020	14-Oct-2005	14-Oct-2005	30-Aug-2006		€ 5,270	\$ 6,349	€ 15,806	€ -	
	LC-FPS-029	DUKAGJINI	€ 4,540	\$ 5,537	2-Nov-2005	2-Nov-2005	11-Jan-2006	20-Dec-2006	€ 4,540	\$ 5,470	€ -	€ -	CLOSED
	LC-FPS-030	REA	€ 15,750	\$ 19,207	14-Nov-2005	15-Nov-2005	15-Oct-2006		€ 5,250	\$ 6,370	€ 10,500	€ -	
	LC-FPS-031	BIOLAB	€ 37,539	\$ 45,228	9-Dec-2005	10-Dec-2005	25-Jun-2006		€ 18,770	\$ 22,614	€ 18,769	€ -	
	LC-FPS-032	UBO	€ 7,625	\$ 9,187	23-Dec-2005	23-Dec-2005	15-Feb-2006		€ 7,625	\$ 9,357	€ -	€ -	CLOSED
	LC-FPS-033	IHB X	€ 2,100	\$ 2,530	12-Jan-2006	12-Jan-2006	28-Feb-2006	1-Mar-2006	€ 2,100	\$ 2,530	€ -	€ -	CLOSED
LC-FPS-037	KDC	€ 5,321		3-Mar-2006	3-Mar-2006	18-Apr-2006				€ 5,321	€ -		
<b>Total FPS</b>			<b>€ 230,778</b>	<b>\$ 288,674</b>					<b>€ 168,382</b>	<b>\$ 206,388</b>	<b>€ 62,396</b>	<b>€ -</b>	
Procurement of Goods	LC-POG-001	KOSOVO VET. LAB.	€ 18,397	\$ 22,712				2-Nov-2005	€ 18,397	\$ 22,712	€ -	€ -	CLOSED
											€ -	€ -	*
<b>Total Procurement</b>			<b>€ 18,397</b>	<b>\$ 22,712</b>					<b>€ 18,397</b>	<b>\$ 22,712</b>	<b>€ -</b>	<b>€ -</b>	

**KCBS Quarterly Report  
Strategic Activities Fund (SAF)  
January 2005- March 2006**

Last Update 31-Mar-2006

Type of Award	SAF Tracking No.	Awardees	Amount Approved €	Amount Approved \$	Date Signed	Award Term		Actual Ending Date	Total Disbursed €	Total Disbursed \$	Total Remaining/Approved		Status
						Started	End				To Be Reimbursed €	Remaining Amount / activity closed €	
<b>Total Livestock Cluster</b>			€ 301,755	\$ 374,736					€ 207,137	\$ 253,717	€ 94,618	€ -	

**KCBS Quarterly Report  
Strategic Activities Fund (SAF)  
January 2005- March 2006**

Last Update 31-Mar-2006

Type of Award	SAF Tracking No.	Awardees	Amount Approved €	Amount Approved \$	Date Signed	Award Term		Actual Ending Date	Total Disbursed €	Total Disbursed \$	Total Remaining/Approved		Status
						Started	End				To Be Reimbursed €	Remaining Amount / activity closed €	
<b>Fruits And Vegetables</b>													
Grants	FV-SGA-012	PESTOVA	€ 35,000	\$ 42,169	4-Feb-2006	4-Feb-2006	4-Dec-2006				€ 35,000	€ -	*
	FV-SGA-014	FRUTI	€ 8,600	€ 10,617	13-Mar-2006	13-Mar-2006	13-Jul-2006				€ 8,600	€ -	*
												€ -	€ -
<b>Total Grants</b>			€ 43,600	\$ 52,786					€ -	\$ -	€ 43,600	€ -	
Fixed Price Subcontracts	FV-FPS-005	PESTOVA	€ 1,450	\$ 1,959	29-Mar-2005	29-Mar-2005	21-Oct-2005	21-Oct-2005	€ 1,450	\$ 1,637	€ -	€ -	CLOSED
	FV-FPS-006	ANADRINI	€ 3,260	\$ 4,405	30-Mar-2005	30-Mar-2005	4-Nov-2005	4-Nov-2005	€ 3,260	\$ 4,115	€ -	€ -	CLOSED
											€ -	€ -	
<b>Total FPS</b>			€ 4,710	\$ 6,365					€ 4,710	\$ 5,751	€ -	€ -	
Procurement of Goods											€ -	€ -	*
											€ -	€ -	*
											€ -	€ -	*
<b>Total Procurement</b>			€ -	\$ -					€ -	\$ -	€ -	€ -	
<b>Total F &amp; V Cluster</b>			€ 48,310	\$ 59,151					€ 4,710	\$ 5,751	€ 43,600	€ -	

**KCBS Quarterly Report  
Strategic Activities Fund (SAF)  
January 2005- March 2006**

Last Update 31-Mar-2006

Type of Award	SAF Tracking No.	Awardees	Amount Approved €	Amount Approved \$	Date Signed	Award Term		Actual Ending Date	Total Disbursed €	Total Disbursed \$	Total Remaining/Approved		Status
						Started	End				To Be Reimbursed €	Remaining Amount / activity closed €	
<b>Construction Materials Cluster</b>													
Grants	CM-SGA-001	RCAK	€ 12,677	\$ 16,463	12-Jul-2005	13-Jul-2005	20-Oct-2005	15-Dec-2005	€ 11,449	\$ 12,543	€ -	€ 1,228	CLOSED
	CM-SGA-002	AWPK	€ 12,620	€ 15,580	15-Aug-2005	15-Aug-2005	15-Nov-2005	16-Jan-2006	€ 10,032	\$ 12,297	€ -	€ 2,588	CLOSED
												€ -	€ -
<b>Total Grants</b>			€ 25,297	\$ 32,043					€ 21,481	\$ 24,840	€ -	€ 3,816	
Fixed Price Subcontracts	CM-FPS-001	Naser Kabashi	€ 6,500	\$ 8,784					€ 6,500	\$ 7,927	€ -	€ -	CLOSED
	CM-FPS-004	AWPK	€ 2,130	\$ 2,878	22-Mar-2005	22-Mar-2005	8-Apr-2005	8-Apr-2005	€ 2,130	\$ 2,855	€ -	€ -	CLOSED
	CM-FPS-028	PARADISO	€ 6,710	\$ 8,183					€ 6,710	\$ 8,183	€ -	€ -	CLOSED
	CM-FPS-036	IBMS INSTITUTE	€ 3,500	\$ 4,321	17-Feb-2006	1-Jul-2005	31-Mar-2006		€ 3,500	\$ 4,217	€ -	€ -	CLOSED
<b>Total FPS</b>			€ 18,840	\$ 24,166					€ 18,840	\$ 23,182	€ -	€ -	
Procurement of Goods											€ -	€ -	
											€ -	€ -	
											€ -	€ -	
<b>Total Procurement</b>			€ -	\$ -					€ -	\$ -	€ -	€ -	
<b>Total Construction M. Cluster</b>			€ 44,137	\$ 56,209					€ 40,321	\$ 48,021	€ -	€ 3,816	

**KCBS Quarterly Report  
Strategic Activities Fund (SAF)  
January 2005- March 2006**

Last Update 31-Mar-2006

Type of Award	SAF Tracking No.	Awardees	Amount Approved €	Amount Approved \$	Date Signed	Award Term		Actual Ending Date	Total Disbursed €	Total Disbursed \$	Total Remaining/Approved		Status
						Started	End				To Be Reimbursed €	Remaining Amount / activity closed €	
<b>General Business Support</b>													
Grants	GB-SGA-004	AKA	€ 35,712	\$ 43,551	8-Nov-2005	8-Nov-2005	7-Nov-2006		€ 4,160	€ 5,012	€ 31,552	€ -	
	GB-SGA-005	KAMP	€ 27,233	\$ 33,211	8-Nov-2005	8-Nov-2005	7-Nov-2006		€ 7,150	€ 8,614	€ 20,083	€ -	
	GB-SGA-006	SHPUK	€ 31,308	\$ 38,180	8-Nov-2005	8-Nov-2005	7-Nov-2006		€ 9,350	€ 11,265	€ 21,958	€ -	
	GB-SGA-007	SCAAK	€ 12,946	\$ 15,788	18-Nov-2005	1-Dec-2005	30-Apr-2006		€ 1,790	€ 2,176	€ 11,156	€ -	
	GB-SGA-008	AWPK	€ 39,900	\$ 48,072	20-Dec-2005	20-Dec-2005	19-Dec-2005		€ 2,000	\$ 2,469	€ 37,900	€ -	
	GB-SGA-009	RCAK	€ 40,130	\$ 48,349	18-Jan-2006	18-Jan-2006	18-Jan-2007		€ -	\$ -	€ 40,130	€ -	
	GB-SGA-013	KDPA	€ 29,090	\$ 35,914	15-Mar-2006	15-Mar-2006	15-Mar-2007		€ -	\$ -	€ 29,090	€ -	
<b>Total Grants</b>			€ 216,319	\$ 263,066					€ 24,450	\$ 29,537	€ 191,869	€ -	
Fixed Price Subcontracts	GB-FPS-002	KDC	€ 5,670	\$ 7,662	14-Jan-2005	24-Jan-2005	21-Feb-2005	21-Feb-2005	€ 5,670	\$ 7,662	€ -	€ -	CLOSED
	GB-FPS-003	INTEGRA	€ 10,312	\$ 13,935	11-Feb-2005	11-Feb-2005	24-Feb-2005	24-Feb-2005	€ 10,312	\$ 13,935	€ -	€ -	CLOSED
	GB-FPS-010	INTEGRA	€ 61,223	\$ 81,631	19-Apr-2005	15-Apr-2005	15-Jun-2005	15-Jun-2005	€ 61,223	\$ 80,716	€ -	€ -	CLOSED
	GB-FPS-014	CPWC		\$ -	12-Jul-2005	12-Jul-2005	15-Nov-2005	1-Nov-2005	€ -	\$ -	€ -	€ -	TERMINATED
	GB-FPS-015	AFAS	€ 9,505	\$ 11,881	15-Jul-2005	15-Jul-2005	30-Sep-2005	30-Sep-2005	€ 5,205	\$ 6,322	€ -	€ 4,300	CLOSED
	GB-FPS-016	PRISHTINA FILM	€ 16,800	\$ 20,741	9-Aug-2005	9-Aug-2005	24-Sep-2005	30-Sep-2005	€ 16,800	\$ 20,241	€ -	€ -	CLOSED
	GB-FPS-017	MDA	€ 1,000	\$ 1,235	29-Aug-2005	29-Aug-2005	16-Sep-2005	16-Sep-2005	€ 1,000	\$ 1,205	€ -	€ -	CLOSED
	GB-FPS-018	INTEGRA	€ 1,001	\$ 1,236	29-Aug-2005	29-Aug-2005	16-Sep-2005	16-Sep-2005	€ 1,001	\$ 1,206	€ -	€ -	CLOSED
	GB-FPS-019	MDA	€ 1,000	\$ 1,235	29-Aug-2005	29-Aug-2005	16-Sep-2005	16-Sep-2005	€ 1,000	\$ 1,205	€ -	€ -	CLOSED
	GB-FPS-020	INTEGRA	€ 1,001	\$ 1,206	12-Sep-2005	12-Sep-2005	23-Sep-2005	23-Sep-2005	€ 1,001	\$ 1,206	€ -	€ -	CLOSED
	GB-FPS-024	KAS	€ 1,500	\$ 1,852	14-Oct-2005	19-Sep-2005	14-Dec-2005	12-Dec-2005	€ 1,500	\$ 1,818	€ -	€ -	CLOSED
	GB-FPS-025	KBA	€ 1,500	\$ 1,852	13-Oct-2005	19-Sep-2005	14-Dec-2005	12-Dec-2005	€ 1,500	\$ 1,818	€ -	€ -	CLOSED
	GB-FPS-026	KCC	€ 3,000	\$ 3,704	14-Oct-2005	19-Sep-2005	14-Dec-2005	12-Dec-2005	€ 3,000	\$ 3,659	€ -	€ -	CLOSED
	GB-FPS-027	AKB	€ 3,000	\$ 3,704	12-Oct-2005	19-Sep-2005	14-Dec-2005	12-Dec-2005	€ 3,000	\$ 3,307	€ -	€ -	CLOSED
	GB-FPS-034	UBO	€ 5,800	\$ 6,988	5-Jan-2006	13-Jan-2006	15-May-2006		€ 1,650	\$ 1,988	€ 4,150	€ -	
GB-FPS-035	AKB	€ 2,535	\$ 3,130	1-Feb-2006	10-Oct-2005	23-Nov-2005	24-Nov-2005	€ 2,535	\$ 3,130	€ -	€ -	CLOSED	
<b>Total FPS</b>			€ 124,847	\$ 161,990					€ 116,397	\$ 149,418	€ 4,150	€ 4,300	



**KCBS Quarterly Report  
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Last Update 31-Mar-2006

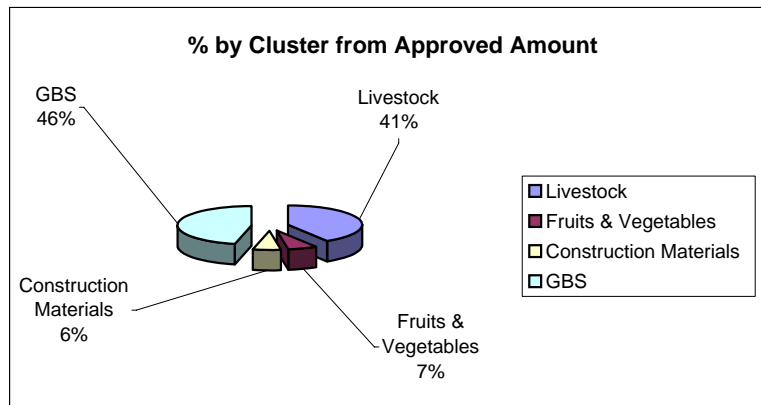
Type of Award	SAF Tracking No.	Awardees	Amount Approved €	Amount Approved \$	Date Signed	Award Term		Actual Ending Date	Total Disbursed €	Total Disbursed \$	Total Remaining/Approved		Status
						Started	End				To Be Reimbursed €	Remaining Amount / activity closed €	
<b>General Business Support [continued]</b>													
Procurement of Goods											€ -	€ -	
											€ -	€ -	
		<b>Total Procurement</b>	€ -	\$ -					€ -	\$ -	€ -	€ -	
		<b>Total GBS Cluster</b>	€ 341,166	\$ 425,055					€ 140,847	\$ 178,954	€ 196,019	€ 4,300	
		<b>Grand Total</b>	€ 735,368	\$ 915,151					€ 393,015	\$ 486,444	€ 334,237	€ 8,116	

## KCBS Quarterly Report Strategic Activities Fund (SAF) January 2005 - March 2006

### Graphic Chart Summary

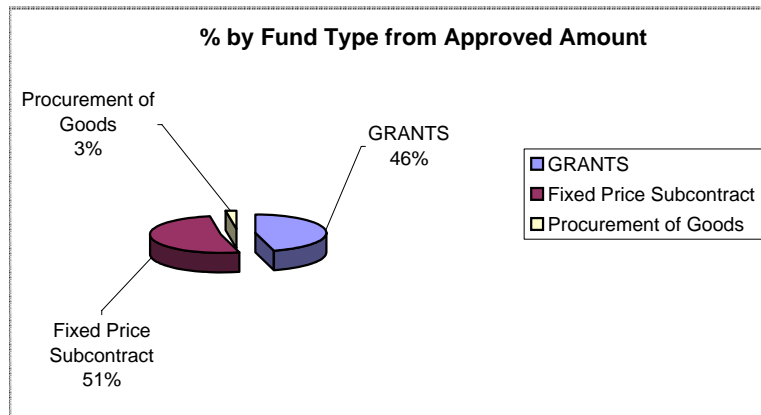
**% by Cluster from Approved Amount**

Livestock	€ 301,755	41.03%
Fruits & Vegetables	€ 48,310	6.57%
Construction Materials	€ 44,137	6.00%
GBS	€ 341,166	46.39%
Grand Total	€ 735,368	



**% by Fund Type from Approved Amount**

GRANTS	€ 337,796	45.94%
Fixed Price Subcontract	€ 379,175	51.56%
Procurement of Goods	€ 18,397	2.50%
Grand Total	€ 735,368	



**KCBS Quarterly Report  
Strategic Activities Fund (SAF)  
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**Fixed Price Subcontracts**

<b>No.</b>	<b>Name</b>	<b>SAF #</b>	<b>Description</b>
1	Naser Kabashi	CM - FPS - 001	Draft Standards for Cement, Aggregates and Reinforcing Steel, which will be based on European Norm [UN] standard
2	KDC	GB - FPS - 002	Facilitation of negotiations on Free Trade Agreement between Kosovar and Macedonian partners
3	INTEGRA	GB - FPS - 003	Identification of the most important constraints to businesses and recommendations for their removal
4	AWPK	CM - FPS - 004	Participation and presentation of AWPK at Kosovo Chamber of Commerce Trade Fair
5	PESTOVA	FV - FPS - 005	Potato demo plots for identification of best varieties for processing purposes
6	ANADRINI	FV - FPS - 006	Tomato and potato demo plots for identification of best varieties for processing purposes
7	KAMP	LC - FPS - 007	Field trip to Albania to meet poultry, dairy, inputs, crop and feed producers.
8	KODDA	LC - FPS - 008	Demonstration and promotion of new technologies for maize, Soya, sunflower and rape seed
9	KDC	LC - FPS - 009	Demonstration and promotion of new technologies for maize, Soya, sunflower and rape seed
10	INTEGRA	GB - FPS - 010	Preparation of WB Doing Business Index to evaluate the competitive position of local businesses
11	BIOLAB	LC - FPS - 011	Training of one hundred dairy farmers on grade A quality raw milk
12	KAMP	LC - FPS - 012	Participation in two annual livestock Trade Fairs organized by the MAFRD
13	KODAA	LC - FPS - 013	Crop production field days (winter wheat, maize and Soya) in all 30 Kosovar municipalities
14	CPWC	GB - FPS - 014	Study on constraints and barriers to economic access for women
15	AFAS	GB - FPS - 015	Administrative, accounting and support services to KAMP and SHPUK
16	PRISTINA FILM	GB - FPS - 016	Preparation of video presentation "Investing in Kosovo"
17	MDA	GB - FPS - 017	White paper on Infrastructure development for PPD Task group I
18	INTEGRA	GB - FPS - 018	White paper on Education for PPD Task group II
19	MDA	GB - FPS - 019	White paper on Quality Standards for PPD Task group III
20	INTEGRA	GB - FPS - 020	White paper on VAT Analysis for PPD Tax Rationalization Task group
21	KODAA	LC - FPS - 021	Organization of Corn and Soybean field days.
22	REA	LC - FPS - 022	Engagement of the Dairy Cluster Implementation Coordinator
23	KODAA	LC - FPS - 023	Demonstration and promotion of new technologies for red clover, vetch, alfalfa and canola.
24	KAS	GB - FPS - 024	Chairing Private-Public Dialog task group of Education
25	KBA	GB - FPS - 025	Chairing Private-Public Dialog task group of Financial Stability
26	KCC	GB - FPS - 026	Chairing Private-Public Dialog task groups of Infrastructure and Quality Standards
27	AKB	GB - FPS - 027	Chairing Private-Public Dialog task groups of Transparency and Tax Implementation
28	PARADISO	CM - FPS - 028	Research on decorative stone production and processing methods
29	DUKAGJINI	LC - FPS - 029	Analyses of animal feed (maize silage) and recommendations for its improvement.
30	REA	LC - FPS - 030	Engagement of the Dairy Cluster Implementation Coordinator in minority regions
31	BIOLAB	LC - FPS - 031	Milk Production Improvement through training of 120 dairy commercial farmers.
32	UBO	LC - FPS - 032	Feed Grain production and trading survey
33	IHB X	LC - FPS - 033	Improvement of raw milk quality at milk collection centers of Devolli dairy
34	UBO	GB - FPS - 034	Finance fair impact analysis
35	AKB	GB - FPS - 035	Organizational, promotional and logistical support for the Finance Fair.
36	IBMS INSTITUTE	CM - FPS - 036	Standards for manufacturing of Concrete and Concrete elements.
37	KDC	LC - FPS - 037	Land quality improvement through soil testing.

**KCBS Quarterly Report  
Strategic Activities Fund (SAF)  
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**Simplified Grants**

<b>No.</b>	<b>Name</b>	<b>SAF #</b>	<b>Description</b>
1	RCAK	CM - SGA - 001	Establishment of the website for the association
2	AWPK	CM - SGA - 002	Establishment of the website for the association
3	AGROCOOP	LC - SGA - 003	Establishing Service Chamber for Farmers in Multiethnic Cooperative Agrocoop
4	AKA	GB - SGA - 004	Implementation of one year strategic plan
5	KAMP	GB - SGA - 005	Implementation of one year strategic plan
6	SHPUK	GB - SGA - 006	Implementation of one year strategic plan
7	SCAAK	GB - SGA - 007	Training of accountants in minority regions on Kosovo Accounting Standards
8	AWPK	GB - SGA - 008	Implementation of one year strategic plan
9	RCAK	GB - SGA - 009	Implementation of one year strategic plan
10	FAUNA	LC - SGA - 010	Genetic improvement of dairy cattle
11	WHEAT SEED CULT	LC - SGA - 011	Publishing the book on oil crops and trainings of farmers on cultivation of oil crops
12	PESTOVA	FV - SGA - 012	New potato storage technology
13	KDPA	GB - SGA - 013	Implementation of one year strategic plan
14	FRUTI	FV - SGA - 014	Application and demonstration of new orchard technologies
15	GRAUFI	LC - SGA - 016	Cows hoofs treatment

## Livestock Cluster



**KCBS conducted a workshop on calf & heifer management.**



**Biolab ran tests to analyze the presence of the somatic cells in the milk.**



**Forage, maximizing the energy and protein content was produced for first time at Premium Vet farm.**



**Hoof trimming at Eurolona dairy farm**



**Training in sheep health management was conducted in Kacanik with sheep farmers.**



**Workshop for sheep farmers during a World Learning Study Tour to Greece.**

## Livestock Cluster



Soil preparation for spring crops



Training workshop on producing Oil Crops in Kosovo on a significant scale to reduce imports



Manufacture of new cheeses was introduced at several Kosovo dairies. Feta cheese being produced at Ajka dairy [left] and cheddar at Rona Dairy [right].



Six cheese marketing events were held in different cities across Kosovo to promote interest and sales of the newly developed cheeses. Above shows an event in Gjilan [left] and the main event in Pristina [right]

## Fruits & Vegetables Cluster



Contracts signed between producers and processing companies like Pestova, Albi & Elif 19, and Alcred for future supplies of potatoes, peppers and tomatoes.



“UVB” Fruit growing association from Blagaje village – Winter spraying



Alcred plant in Albania processing Kosovar peppers.



Storage of potatoes at Pestova prior to investments in post harvest handling to prolong storage life.



Storage of rose hips at Agroprodukt-Syne (Istog). Seven tons have been already exported.

## Construction Materials Cluster



**KCBS participated in Thessaloniki trade fair named INFACOMA 2006: 23rd International Exhibition of Construction, Insulation, Sanitary Ware, Heating, Air Conditioning, Energy and Technology**



**Negotiations started with Metaxiotis company - the largest wholesaler of autoclaved blocks in Greece**



**Korenica develops former SOE factory in Xerxe for producing engineered wood flooring.**



**Training on basic Hot Mix Asphalt design and asphalt plant operation at the Faculty of Civil Eng.**



**Presentation on Joint Ventures & Strategic Alliances was given to 30 Kosovo businessmen.**



## General Business Cluster



SCAAK completed training of 6 Piramida trainers. PIRAMIDA organized and successfully finished the first cycle of trainings for accountants in North Mitrovica and in Gracanica.



KCBS staff visited the 3<sup>rd</sup> International Banking Fair in Belgrade BANKEXP0 held from 27th February till 1<sup>st</sup> March 2006. Meetings were held with the organizers to share experiences and obtain information.



KCBS team and members of Kosovo business associations visited US and received presentations from several similar US associations and on the subject of market oriented reforms in transitional economies.