



USAID | **KOSOVO**
NGA POPULLI AMERIKAN
OD AMERIČKOG NARODA

USAID KOSOVO PRIVATE ENTERPRISE PROGRAM (KPEP)

KCBS One Year On: Evaluating KCBS Clients One Year After

VERONICA R. BARTOLOME
NAZMI PLLANA

Implemented by
Booz Allen Hamilton

Contract No. EEM-I-00-07-00007-00
Task Order No. 2

JANUARY, 2010

DISCLAIMER

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

‘KCBS ONE YEAR ON’: EVALUATING KCBS CLIENTS ONE YEAR AFTER PROJECT COMPLETION

Kosovo Private Enterprise Program project: ‘Performance Based Management System Review’ Contract No. EEM-I-00-07-00007-00 Task Order Number 02

This report submitted by Booz Allen Hamilton / January, 2010.

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

CONTENT

PURPOSE OF ASSIGNMENT	2
BACKGROUND	3
EXECUTIVE SUMMARY	4
ACTIVITIES TO ACHIEVE PURPOSES	8
TASK FINDINGS.....	14
CONCLUSIONS.....	37
Construction	37
Fruits and Vegetables	37
Livestock	37
ANNEXES	39

PURPOSE OF ASSIGNMENT

Upon the request of USAID/Kosovo, Booz Allen has performed this assignment which seeks to determine the performance of the companies assisted under the former KCBS (Kosovo Cluster and Business Support) Project, one year after the project was completed in September 2008.

This assignment evaluates the business performance of the companies against quantitative measures such as sales, employment, production and investment for the period between October 2008 and October 2009.

In addition, it assesses the impact and effectiveness of the firm-level assistance provided by KCBS which have been clustered according to the following assistance categories:

- Improving Productive Capacity
- Improving Quality Control
- Improving Market Chain Linkages
- Strengthening Capacity to Access Credit.

Ultimately, this assignment seeks to provide high-level conclusions and lessons learned that can inform the follow-on project, the Kosovo Private Enterprise Program (KPEP).

BACKGROUND

KCBS was a \$20.2 million project, implemented over a four-year period (October 2004 to September 2008) which delivered technical assistance and training. A budget of \$2.8 million was available to leverage investments by KCBS clients that would promote economic growth in the private sector, thus creating new and sustainable employment opportunities. Three clusters were identified for targeting:

- Livestock (dairy, beef, poultry and animal feed)
- Fruits and vegetables
- Construction materials

In general, the project remained focused on these three clusters. Attention was given to beef only in the last year; and work on construction materials expanded into construction itself, with KCBS support given to the construction of roads and the manufacture of consumer wood products.

KCBS expected to guide project implementation by following the principles below:

- Foster connections and relationships among firms and institutions that have traditionally acted in isolation;
- Stimulate participatory strategic and action planning by cluster members to define their own priorities;
- Promote sustained change at all levels of the value chain, and target anchor firms early in the cluster development process to foster synergies between small enterprises and larger firms;
- Focus on demand-driven enterprise development;
- Cultivate more competitive and market-focused associations, business organizations, and business support service providers.

The KCBS project exceeded many of the targets set for it at the start of the program, and as modified after Year One. At the end of the project, the cumulative changes in primary indicators attributable to KCBS interventions, were as follows:

- An increase in the value of the sales over baseline of €140.9 million;
- An increase in employment of 6,676 new jobs;
- An increase in capital investment of €40.9 million;
- An increase in the value of financing of €21.6 million.

KCBS worked directly with 115 clients who generated these €140.9 million increases in sales. In addition, the project identified, and estimated, a further €57.2 increase in sales by non-client businesses or secondary impacts. KCBS estimates 4,175 businesses have benefited indirectly from the impact of KCBS technical advice and support through technology transfer communicated by the KCBS-supported associations through trainings and workshops.

EXECUTIVE SUMMARY

This assignment was undertaken upon the request of USAID/Kosovo to evaluate companies assisted by the former KCBS (Kosovo Cluster and Business Support) Project in terms of its business performance (sales, employment, production, investment) and to assess the impact and effectiveness of the different categories of KCBS assistance one year after the KCBS Project was completed.

Activities to Achieve Purpose

The approach to the assignment centered primarily around the conduct of a survey to 50 companies in the construction, fruits and vegetable and livestock sectors and the conduct of sector focus group discussions (FGD). From the construction sector, 9 companies responded to the survey and none participated in the FGD. From the fruits and vegetable sector, 18 companies responded to the survey of which 10 participated in the FGD. From the livestock sector, 23 companies responded to the survey, of which 12 participated in the FGD.

Task Findings

Company Performance

A summary of the performance of the companies surveyed are presented in the table below:

COMPANY PERFORMANCE						
Indicator (% of Respondents)	Construction		Fruits and Vegetables		Livestock	
	Increased	Decreased	Increased	Decreased	Increased	Decreased
Sales	56%	44%	59%	41%	43%	57%
Employment	44%	56%	65%	35%	50%	50%
Production (Value)	56%	44%	81%	19%	41%	59%
Investment	83%	17%	63%	37%	75%	25%

In the **construction** sector, although 56% of respondents increased sales and only 44% increased employment, a majority (83%) of companies surveyed increased investment which is a testimony to the positive outlook toward the growth and opportunities in the construction industry. The construction sector continues to be an important and promising sector for the growing economy of Kosovo, and most companies are positioning for that.

In the **fruits and vegetable** sector, a majority of companies increased sales (59%), increased employment (65%), production value (81%) and investment (63%) which affirms the continued dynamism, growth and competitiveness of the sector. Based on the survey, companies have enjoyed the benefits and opportunities presented by increased demand from a growing market.

In the **livestock** sector, a majority of the companies surveyed and interviewed experienced a decrease in sales (57% of respondents), no change in employment (50% of respondents), and a decrease in production value (59% of respondents). Yet, a majority (75%) of companies continued to make investments which they regarded as necessary to survive amidst the threats and challenges of the industry.

KCBS Assistance

Each sector had specific and unique needs which the KCBS project sought to address. For example, in the construction sector, the need to improve product quality standards was the most crucial issue in improving industry competitiveness and the results of the survey showed that this activity was ranked the highest. Moreover, in the fruits and vegetable sector, the need to improve post-harvest handling was likewise the most important issue

hampering the credibility of the producer to buyers, and survey results showed that post-harvest handling was among the highest ranked.

Each company surveyed was asked to rank the KCBS assistance from 1 to 5, where (1) indicates that the assistance was not applicable, (2) the assistance was ineffective, (3) the assistance was neutral, (4) the assistance was effective, and (5) the assistance was highly effective. A summary of the average scores given by the respondents, with the higher scores highlighted, is presented in the table below:

KCBS ASSISTANCE			
Intervention Category	Construction	Fruits and Veg	Livestock
1.0 Productive Capacity	Average Score	Average Score	Average Score
1.1: Feed grain products and practices	na	na	4.6
1.2: Soil sample and seed testing	na	na	4.0
1.3: Feed storage facility	na	na	4.4
1.4: Reproductive practices	na	na	4.4
1.5: Model milk collection center	na	na	3.6
1.6: New farms and operations	na	na	4.3
1.7: Pasture management practices	na	na	3.5
1.8 Broiler production, processing	na	na	4.7
1.9 Nursery established	na	4.8	na
1.10 New products	na	4.3	4.2
1.11 New technology and new procedures	na	4.8	4.3
1.12 Test plots	na	4.0	4.5
1.13 More efficient mix designs	4.0*	na	4.5
2.0 Product Quality			
2.1 GHP, GMP, HACCP	na	4.3	3.6
2.2 Post-harvest handling	na	4.3	5.0*
2.3 Product quality standards and testing	4.7	4.0	3.6
2.4 Product packaging, design and labeling	3.8	4.2	4.2
2.5 New technology and practices	4.5	4.3	4.3
2.6 Best practice seminars	3.3	4.0	4.2
3.0 Market Linkages			
3.1 Trade shows	3.0	3.9	3.4
3.2 Buyer-supplier matching	4.0	4.3	3.7
3.3 New markets	3.7	3.5	3.7
3.4 Marketing and linkages	3.7	3.6	3.6
3.5 Branding	3.5	4.1	3.8
3.6 Promotional materials	3.5	3.8	3.2
3.7 Cooperatives or marketing companies	na	3.9	3.9
4.0 Financing			
4.1 Business plan preparation	3.6	3.9	4.3
4.2 Record keeping system	4.3	3.7	4.6
4.3 New lending products and procedures	3.3	2.6	3.9
4.4 Increased awareness of borrowing	3.8	3.6	3.0
4.5 Privatization of SOE	2.7	2.7	4.0
5.0 Policy / Associations			
5.1 Sector associations	3.3	3.1	4.1
5.2 Forest certification roadmap	na	na	na
5.3 Procurement practices for road construction	3.0	na	na

* Only one company responded

Despite sector-specific needs, the survey showed certain commonalities and patterns:

- **New technology and practices** were consistently ranked among the highest across the construction, fruits and vegetable and livestock industries;
- **Buyer-supplier matching** leading to new markets were also consistently ranked the highest across all three industries;
- **Financing** initiatives were generally ranked poorly;
- **Record-keeping** was ranked highly, especially among construction and livestock companies;
- **Privatization** was consistently ranked relatively poorly; and
- **Sector associations** and **policy advocacy** were ranked average at best.

Analysis

Based on the findings above, the following analysis is presented:

- **Tangible, direct, and specific interventions have a higher degree of impact on recipient companies.** Interventions that were concrete, specific, customized and targeted to the beneficiaries were the ones with a higher degree and lasting impact. For example, new technology provided through cost-sharing grants was tangible and evident to the companies. New practices learned had a direct and specific impact on operations, production or product quality. In the marketing realm, targeted buyer-supplier matching initiatives that resulted from a more thorough, researched and targeted approach were more effective than attendance to general trade fairs. However, some would argue that the failure of trade fairs to generate substantial leads was due to the fact that companies were ill-prepared and ill-equipped to participate in trade fairs;
- **Less tangible, more general and more long-term interventions were less impactful.** For example, privatization initiatives were ranked rather poorly perhaps because of the general perception that the success of privatization initiatives were not directly attributable to the project. In fact, some companies conveyed their belief that privatization initiatives were bound to happen, regardless of KCBS intervention. Policy advocacy on procurements practices were also ranked relatively lower, despite the significant time and resources devoted by KCBS to this initiative presumably because the companies did not feel the impact of this initiative;
- **The broader context of the assistance should be considered to determine impact and effectiveness.** The intervention should not be taken in isolation. For example, most financing initiatives were ranked relatively poorly. This is because of the unfavorable circumstances of the lending sector to begin with, such as high interest rates, which made the financing activities seem less beneficial and impactful for the companies in the first place;
- **Sustainability of interventions should be thoroughly considered.** The extent to which the companies will be able to continue and complete the activity long after KCBS has stepped away should be considered by the program. For example, some companies started GMP, HACCP certification. However, they were unable to continue their participation because they were unable to meet the cost and technical (record-keeping) requirements needed to pursue their certification.

Conclusions

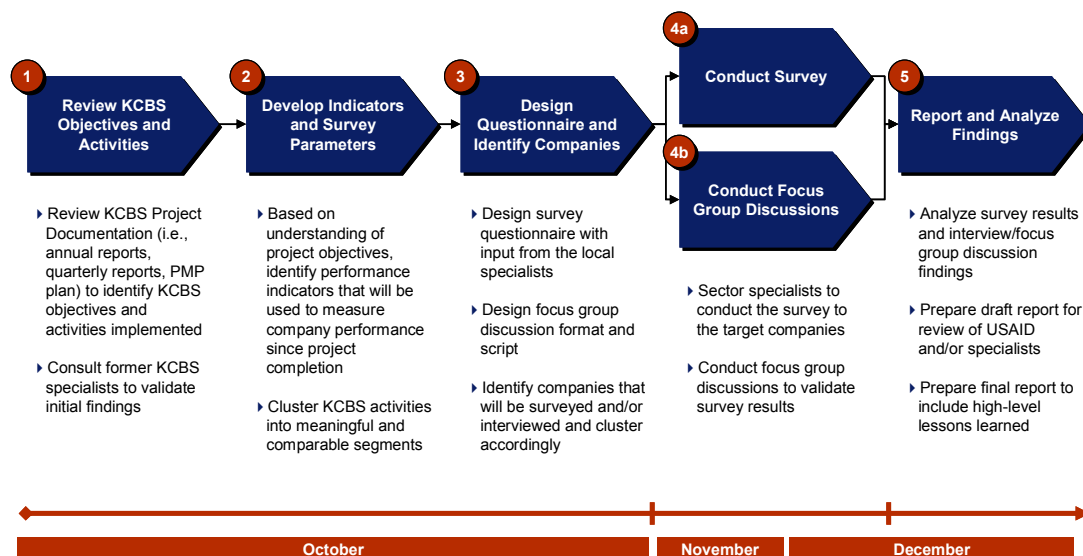
In the absence of a counter-factual, or an analysis of what would have happened without the KCBS intervention, it is difficult to ascertain direct attribution between the KCBS project intervention to company performance. It is likewise complex to attribute direct causality

between the KCBS project intervention to the companies performance because of several extraneous factors that come into play.

However, the assignment performed presents a broad snapshot of where the companies stand in terms of their business performance, one year after the completion of the project, and what KCBS activities they deemed most beneficial, in hindsight. At the end of the day, there is no 'one size fits all' intervention for each sector, more so across different sectors. Conducting a thorough needs assessment of each sector and each company remains key in light of the constantly changing trends and environments in the Kosovo economy.

ACTIVITIES TO ACHIEVE PURPOSES

The Project Team used a five-step process centered primarily on the conduct of a survey among the pre-identified companies and focus group discussions per sector.



1. Review KCBS Objectives and Activities

The Team reviewed KCBS project documentation as follows:

- KCBS Final Report, September 2008;
- KCBS Annual Report, October 2005, October 2006, October 2007;
- KCBS Quarterly Reports, 2005, 2006, 2007, 2008;
- KCBS Performance Based Management System (PBMS) Report, March 2005;

In addition, the Team consulted with former KCBS specialists, some of whom are working with the current KPEP project.

2. Develop Indicators and Survey Parameters

The Team developed quantitative financial indicators to determine the impact of KCBS assistance on company business performance. The Team obtained data for the last fiscal year, October 2008 to September 2009 for the following indicators:

- Annual Sales – Total value (Euros) of goods and services sold;
- Employment – Number of full time and part-time¹ employees employed by the company;
- Production Value – Total value / cost (Euros) of products and services produced;
- Investment – Total value (Euros) of capital investment made in the company;
- Financing – Total value (Euros) of financing obtained from banks, financial institutions (debt) versus total value of financing from own sources (equity).

¹ Full-time employees work 40 hours or more per week while part-time employees work less than 40 hours per week.

Note: Production volume was not included as an indicator because most companies have multiple product lines leading to multiple volume indicators which were difficult to aggregate.

In evaluating the impact and effectiveness of KCBS assistance on the companies, the team clustered the assistance activities similarly to the clustering used in the KCBS Final Report. The assistance to the three target sectors were clustered according to five intervention categories:

- Improved Productive Capacity – these are activities that include, but are not limited to, feed grain products and practices, soil sample and seed testing for animal feed, feed storage facility, reproductive practices, model milk collection center, new farms and operations, pasture management practices, broiler production/processing operations, nursery establishment, new technology, test plots, more efficient mix designs;
- Improved Product Quality – these are activities that include, but are not limited to, GHP GMP, HACCP certification, post-harvest handling, product quality standards and testing, product packaging design and labeling, new technology and practices, best practice seminars;
- Improved Market Linkages – these are activities that include, but are not limited to, trade show preparation and attendance, buyer-supplier matching, new markets, marketing and linkages conferences, branding, promotional materials, cooperatives or marketing companies;
- Strengthened Capacity to Access Finance – these are activities that include, but are not limited to, business plan preparation or loan application assistance, record keeping system, new lending products and procedures, increased awareness of borrowing from financial institutions, state-owned enterprise (SOE) privatization;
- Policy Advocacy / Association Building – these are activities that include, but are not limited to, sector associations, forest certification roadmap, road construction procurement practices advocacy.

The Team asked surveyed companies to rank the effectiveness of the assistance from one to five:

- (1) Not applicable - The assistance did not apply to the sector or company;
- (2) Ineffective - The assistance was implemented on the company but did not produce intended results;
- (3) Neutral - The assistance was implemented on the company but the impact on the company was negligible;
- (4) Effective - The assistance was implemented on the company which improved company operations and/or performance;
- (5) Highly Effective - The assistance was implemented on the company which significantly and substantially improved company operations and/or performance.

3. Design Questionnaire and Identify Companies

Design Questionnaire

The Team designed a four-paged survey questionnaire comprised of two parts:

- Part A: Company Performance; and
- Part B: KCBS Assistance.

Survey questionnaire is attached to this report as an Annex.

Identify Companies

The Team identified 58 target KCBS client companies for survey based on the following selection criteria:

- KCBS clients in the PBMS system – KCBS worked with many companies, but only those companies that were in the PBMS system and had been monitored on a quarterly basis were selected for survey since they benefited more from USAID support. There were 115 KCBS companies in the PBMS system;
- ‘Active’ clients - Only companies that remained ‘active’ until the end of the project were included in the survey. The term ‘active’ or ‘non-active’ is used to refer to the relationship between the KCBS project and the company, not the business or operational status of the company. Of the 115 KCBS companies in the PBMS system, only 86 were active;
- Non-KPEP clients – KCBS clients that are also KPEP clients are currently being monitored and reported to USAID. Hence, only KCBS, non-KPEP clients were selected. Of the 86 active clients, 28 companies were part of KPEP leaving 58 target companies to be surveyed.

4. Conduct Survey and Focus Group Discussions

Conduct Survey

The Team contracted sector specialists who were involved in the KCBS project to conduct the company survey on its behalf. The sector specialists were:

- Zijadin Gojnovci (livestock specialist);
- Muhammed Disha (fruits and vegetable specialist);
- Samir Riza (fruits and vegetable specialist); and
- Reshat Aivazi (fruits and vegetable specialist).

A total of 50 companies responded to the survey questionnaire as follows:

- 9 construction companies;
- 18 fruits and vegetable companies; and
- 23 livestock companies.

Note: In conducting the survey of company performance, sector specialists asked for 2009 company information directly from the companies. 2008 data was initially obtained from the PBMS system of CBS and KPEP. However, when the findings were conflicting with each other or suspect, sector specialists and KPEP staff returned to a select group of companies to validate the specific data.

Conduct Focus Group Discussions

Three focus group discussions (FGDs), one for each sector, were planned on December 9, 10 and 11, 2009. None of the construction companies were available to participate in the construction FGD so the construction FGD did not materialize. Ten fruit and vegetable companies participated in the fruits and vegetable FGD, and 12 livestock companies participated in the livestock FGD.

Upon presenting the preliminary findings to USAID on February 11, 2009, USAID requested for more detailed information on the impact of KCBS assistance among a select group of companies. Hence, the sector specialists conducted follow-up interviews with select companies to obtain more detailed information about the impact and sustainability of specific KCBS assistance. KPEP staff and sector specialists collaborated jointly in identifying the companies.

The companies that responded to the survey and participated in the FGD are listed below:

Table 1: Construction Companies

Company Name	Sub-sector	Status
1. Ana	Construction materials	Survey Respondent
2. As	Road construction	Survey Respondent
3. Brest PMP	Construction materials	Survey Respondent
4. Eko-kim	Recycling	Survey Respondent
5. Fetoshi	Construction materials	Survey Respondent
6. Kamilja	Construction materials	Survey Respondent
7. Kosovo Plast	Construction materials	Survey Respondent
8. Tulleorja	Construction materials	Survey Respondent
9. Vellezerit e Bashkuar	Construction materials	Survey Respondent
10. FAN Zahir Pajaziti	Construction materials	Survey Respondent
11. Niti Com	Recycling	Not available

Table 2: Fruits and Vegetable Companies

Company Name	Sub-sector	Status
1. Agrocompany	Vegetables	Survey Respondent, FGD Participant
2. Agroservis	Fruits	Survey Respondent
3. Delta Pomfrit	Vegetables	Survey Respondent
4. Dinamanti	Fruits	Survey Respondent, FGD Participant
5. Dredheza	Vegetables	Survey Respondent
6. Fidanishtja Zahiri	Fruits	Survey Respondent, FGD Participant
7. Fruti	Fruits	Survey Respondent, FGD Participant
8. Fungo FF	Fruits	Survey Respondent
9. Halim Dervishi	Fruits	Survey Respondent, FGD Participant
10. Ideal Gashi	Fruits/ Vegetable	Survey Respondent, FGD Participant
11. INP	Vegetables	Company Closed

12. Juniperi Fructus	Fruits	Survey Respondent, FGD Participant
13. KB Qingjat e Sharrit	Fruits	Survey Respondent
14. Leke Duhani	Fruits	Survey Respondent
15. Moni	Fruits/ Vegetable	Survey Respondent, FGD Participant
16. Pema	Fruits	Survey Respondent, FGD Participant
17. Pisha	Fruits/ Vegetable	Survey Respondent, FGD Participant
18. Tini Commerce	Fruits/ Vegetable	Survey Respondent
19. Zejna	Fruits/ Vegetable	Survey Respondent

Table 3: Livestock Companies

Livestock Companies	Sub-sector	Status
1. Adi	Poultry	Survey Respondent, FGD Participant
2. Agroleu	Milk production	Survey Respondent, FGD Participant
3. Ajka	Dairy processing	Not Available
4. Aldi	Dairy processing	Survey Respondent
5. Dardania Farm	Agricultural inputs	Survey Respondent
6. Disa	Milk production	Company Closed
7. Diti	Dairy processing	Survey Respondent, FGD Participant
8. Fit Dani	Poultry	Survey Respondent
9. Fitofarma	Agricultural inputs	Survey Respondent
10. Gjini & Tag	Poultry	Survey Respondent
11. Golaj	Dairy processing	Survey Respondent, FGD Participant
12. Jazi	Poultry	Survey Respondent, FGD Participant
13. Koxha Commerce	Sheep and lamb production	Survey Respondent, FGD Participant
14. Legjendasi	Milk production	Survey Respondent, FGD Participant
15. Lulja e Sharrit	Dairy processing	Company Closed
16. Luma Commerce	Milk production	Company Closed
17. Maluku	Poultry	Survey Respondent
18. Mazreku ²	Milk production	Company Closed
19. Qengji	Sheep farming	Survey Respondent, FGD Participant
20. Rona	Dairy processing	Survey Respondent
21. Rudina	Milk production and processing	Survey Respondent

² According to sources, Mazreku, one of the biggest commercial farms, switched to the construction sector given the perceived higher profit and reduced risk in construction.

22. Sazli	Poultry	Survey Respondent
23. Shala	Dairy processing	Survey Respondent, FGD Participant
24. Sharri	Dairy processing	Survey Respondent, FGD Participant
25. Simental	Milk production	Survey Respondent, FGD Participant
26. Soni	Poultry	Survey Respondent
27. Taka	Poultry	Survey Respondent
28. Te Lirimi	Sheep and beef farming	Survey Respondent, FGD Participant

5. Analyze and Report Findings

The findings and analysis of the survey and focus group discussions will be presented in the following section.

TASK FINDINGS

Construction Sector

Sector Overview³

The construction market in Kosovo remains vigorous despite obstacles. ‘Pockets of excellence’ are present, where well-intentioned, well-qualified groups are working together to design and construct high-quality building projects. Construction investments are expected to continue given the recent and continuing investment in public infrastructure and commercial ventures. The market for construction products remained strong over the past year, mostly driven by domestic demand. According to sector specialists, the sales price of construction products decreased as cost of raw materials (i.e., cost of fuel) decreased.

The Ministry of Trade and Industry has no data on the volume and value of construction currently underway. However, it is believed that 68% of construction activity is illegal – work is being done without a building permit from the local authorities with jurisdiction. In addition, Kosovo Customs data indicates that over €100 million of construction goods and materials are imported while €4 million are exported. Up to 80% of construction materials and products used for any given product is imported.

Quality assurance and quality control standards and methods are most critical to sector’s competitiveness. Higher quality imported materials threaten the competitiveness of the local industry

Challenges in the construction industry abound. These include:

- ▶ Locally produced building materials are of low quality and fail to meet basic manufacturing standards;
- ▶ Non-existent and ineffective processes and practices of checks and balances are prevalent (weak judiciary system, no required licensing for practicing individual architects and engineers, difficulties with enforcing building codes and inspection requirements, etc);
- ▶ There is no independent accredited materials testing laboratories in Kosovo;
- ▶ There is a need to strengthen linkages that facilitate technical information exchange among architects, engineers, designers and building materials manufacturers; and
- ▶ There is a lack of marketing acumen and basic market knowledge.

³ The overview of the construction sector was partially derived from the STTA Report: Callahan, Jeffrey, Mucaj, Fitim. Construction in Kosovo: Growing Opportunities for Kosovo Building Materials Manufacturers. August, 2009.

Company Performance

Most companies surveyed do not necessarily have the most comprehensive and sophisticated accounting and record keeping systems. Hence, in analyzing and presenting the quantitative results of the survey, the Team prefers to emphasize the positive and negative trends in performance over the specific absolute value change.

In light of the above, majority of construction companies surveyed increased sales and increased investment in their companies demonstrating continued momentum and optimism in the sector.

Fifty-six percent (56%) of respondents from the construction sector increased sales and 44% decreased sales.

Forty-four percent (44%) of respondents increased employment while 56% decreased employment.

Fifty-six percent (56%) increased production cost while 44% decreased production cost.

Eighty-three percent (83%) of respondents made significant investments in their companies demonstrating continued optimism in the sector. For example, **Ana** invested in machinery despite the existing road block access to quarry site. **Brest PMP** increased investment in machinery by 650%. **Tulletorja** invested in a new production line which is expected to double production.

According to sector experts interviewed, most companies experienced a fall in the price of goods given the decrease in fuel cost. For example, **Tulletorja** saw a decrease in the price of a block of brick from 30 cents to 20 cents due to the fall in fuel cost, where 50% of the cost of producing bricks is from fuel. Moreover, **Kosovo Plast** and **Fetoshi** also witnessed a decrease in the price of goods impacting the change in sales.

Table 4: Construction Companies Performance (FY 2008 – 2009)

Company	Sales	Employment	Production Value	Investment
1. Ana	- 14%	- 50%	- 14%	-
2. As	75%	83%	54%	500%
3. Brest PMP	176%	30%	117%	650%
4. Eko-kim	- 74%	50%	- 86%	-
5. Fetoshi	- 4%	- 15%	- 33%	93%
6. Kamilja	64%	0%	102%	-
7. Kosovo Plast	9%	- 3%	21%	- 44%
8. Tulletorja	5%	- 13%	4%	72%
9. Vellezerit e Bashkuar	0%	35%	- 15%	211%

Note 1: Sector specialists validated 2008 data for the following companies: As, Brest PMP, Fetoshi, Tulletorja LLC, and Vellezerit e Bashkuar. The validated figures are shown in the table above.

Note 2: The figures shown above are the result of the survey and the validation as mentioned in Note 1. Notwithstanding, some of the data remain conflicting and suspect. The Project Team suspects the following possible reasons: (1) the period for one year was not consistent for the period for the other year and there was confusion between fiscal year and calendar year, (2) the data provided was inflated or deflated for tax and reporting purposes; and (3) the data provided was inaccurate because of the companies' low level of trust of the surveyors or the exercise.

KCBS Assistance

Productive Capacity

In the category of productive capacity, only activities related to “more efficient concrete mix designs” were relevant for the construction sector.

Through KCBS seminars and visits to construction trade shows, **Brest PMP** was able to gain knowledge on improving concrete mix designs. According to Brest PMP, this assistance doubled sales (which completed the increased demand from the northern part of Kosovo and the lack of competition), almost doubled production volume, and decreased production cost by more than 20%. The company has continued to implement and apply the knowledge obtained from and the practices that were started with KCBS.

Table 5: KCBS Productive Capacity Assistance for Construction Companies

1.0 Productive Capacity	Average
1.1: Feed grain products and practices	na
1.2: Soil sample and seed testing	na
1.3: Feed storage facility	na
1.4: Reproductive practices	na
1.5: Model milk collection center	na
1.6: New farms and operations	na
1.7: Pasture management practices	na
1.8 Broiler production, processing	na
1.9 Nursery established	na
1.10 New products	na
1.11 New technology and new procedures	na
1.12 Test plots	na
1.13 More efficient mix designs	4.0*

* Only one company responded to this activity

Product Quality

In the category of product quality, the activities that ranked the highest were ‘product quality, standards and testing’, ‘new technology and practices’, and ‘product packaging, design and labeling’.

Product Quality, Standards and Testing

Vellezerit e Bashkuar implemented on-site testing procedures for 10 types of materials, including concrete. In addition, the Production Director and Staff of the company benefited from the combined theoretical training and practical advice and assistance provided by an American cement specialist, Jeff Groom, to improve concrete mixture and quality. The company experienced a slight increase in sales, increased employment to 3 additional workers and increased production volume by approximately 5%. Importantly, the intervention enabled the company to increase its service offering through its involvement in bridge and road construction.

Other companies implemented quality (EN) standards which increased domestic sales and exports. For example, **Fetoshi** and **Kosovo Plast** sent construction materials to Macedonia for testing which were instrumental in improving the companies performance.

New Technology and Practices

KCBS assisted **Fetoshi** improve the varieties for density and hardness of styrofoam and their cuttings by visits to the production line of the factory and working directly with the production staff. This improved the quality standards of all types of styrofoams.

KCBS assisted **Tulletorja** improve the quality of its bricks and roof tiles. An STTA from Germany conducted visits to the production line of the factory and worked directly with Tulletorja production staff members. This allowed the company to increase production volume of bricks and roof tiles by 5% and made the company attractive for an European Bank for Reconstruction and Development (EBRD) investment. In addition, through visits to Germany, Tulletorja learned about new production technology and purchased second-hand technology from Germany which was new to Kosovo.

Table 6: KCBS Product Quality Assistance for Construction Companies

2.0 Product Quality	Average
2.1 GHP, GMP, HACCP	na
2.2 Post-harvest handling	na
2.3 Product quality standards and testing	4.7
2.4 Product packaging, design and labeling	3.8
2.5 New technology and practices	4.5
2.6 Best practice seminars	3.3

Market Linkages

In the category of market linkages, ‘buyer-supplier matching’ and ‘marketing/linkages conferences’ were perceived as the most effective as they led to the development of ‘new markets’. ‘Branding initiatives’ and ‘development of promotional materials’ were slightly above neutral and ‘trade shows’ were relatively least effective.

Buyer-Supplier Matching and Marketing Conferences

Buyer-supplier matching / marketing and linkages conferences were most effective for a significant number of companies. **Vellezerit e Bashkuar** met with leading construction companies through marketing conferences. **Kosovo Plast** attended the Styrofoam Conference and generated some significant marketing leads.

Branding

Branding initiatives were slightly above neutral. KCBS assisted **Festohi** in changing their logo. KCBS encouraged **Kosovo Plast** to put their logo on their products. And KCBS helped **Vellezerit e Bashkuar** change their brand.

Promotional Materials

Development of promotional products was extremely effective for some companies. **Fetoshi**, **Kosova Plast** and **Vellezerit e Bashkuar** developed a new branding catalogue which contained more relevant technical data which the companies were proud of and was more useful in marketing to buyers.

Trade Shows

Trade shows were ranked as less effective since they were mostly local trade shows. Similarly, KCBS focused less attention on trade shows.

Table 7: KCBS Market Linkage Assistance for Construction Companies

3.0 Market Linkages	Average
3.1 Trade shows	3.0
3.2 Buyer-supplier matching	4.0
3.3 New markets	3.7
3.4 Marketing and linkages conference	3.7
3.5 Branding	3.5
3.6 Promotional materials	3.5
3.7 Cooperatives or marketing companies	Na

Financing

Record Keeping System

In the category of financing, 'improving record keeping system' was the most significant intervention for most companies. KCBS immediately recognized that companies needed help in organizing their records and their files in order to be able to more effectively monitor their sales and access loans from banks and financial institutions.

Increased Awareness of Borrowing

Finance seminars, workshops, and the 'Finance Fair' were deemed to be very effective and important although some companies are still hesitant to borrow from banks because of the high interest rates charged by banks.

New Lending Products and Procedures

KCBS worked with Raiffeisen Bank to restructure loan products for specific companies which reduced interest rates from 14% to 11%.

Privatization

Interestingly, companies surveyed regarded KCBS assistance on privatization as not very effective despite the significant effort exerted by the KCBS team towards advancing privatization.

Table 8: KCBS Financing Assistance for Construction Companies

4.0 Financing	Average
4.1 Business plan preparation	3.6
4.2 Record keeping system	4.3
4.3 New lending products and procedures	3.3
4.4 Increased awareness of borrowing	3.8
4.5 Privatization of SOE	2.7

Policy advocacy / Association building

Assistance through association building or policy advocacy was average or neutral.

Interestingly, despite the strong advocacy of the KCBS team regarding construction procurement practices, this assistance was neutral to the companies.

There was no industry association for styrofoam and terracotta products and support was provided through the Chamber of Commerce. Some support was provided to the concrete association.

Table 9: KCBS Policy Advocacy / Association Assistance for Construction Companies

5.0 Policy / Associations	Average
5.1 Sector associations	3.3
5.2 Forest certificaion roadmap	Na
5.3 Procurement practices for road construction	3.0

Conclusion

Company Performance

Most of the construction companies surveyed continued to generate increased sales. More importantly, majority of the companies continued to make significant investments in their company which is a testimony to the positive outlook toward the market and the industry. The construction sector continues to be an important and promising sector for the growing economy of Kosovo and most of the companies are positioning themselves for that.

KCBS Assistance

In so far as KCBS's assistance is concerned, the most relevant and impactful assistance for the construction companies surveyed and interviewed was in the realm of Improving Product Quality, specifically implementing standards and testing and implementing new technology and practices. This is consistent with the major challenge facing the industry where quality assurance and quality control standards are the most critical to the sector's competitiveness.

Fruits and Vegetables

Overview of the Sector⁴

The average farm in Kosovo is very small and uses significant family labor. Over 90% of agricultural farming units are no more than 2.5 ha. Half of fruit production comes from the backyards of 186,000 families with an estimated 7 trees on average. Together, this is slightly over 6,000 ha with a total fruit production of 18,000 tons. All is used for home-consumption. Trees are poorly maintained and productivity is low, 3t/ha.

In 2005, vegetable production was estimated at 221,850 tons: 202,500 from 14,500 ha of open fields and 19,350 from 470 ha of greenhouses. Average yields from open field production estimated at 14t/ha and from greenhouses 55t/ha.

Nearly all of processed and fresh food products sold in Kosovo are imported. Exports are negligible and limited to small quantities of fresh produce sold at lower prices to importers. The market for fruits and vegetables in Kosovo is not large, but is active domestically and internationally (Turkey, Greece, Macedonia)

Opportunities in the sector include the following:

- ▶ Good irrigated land is available to small farmers
- ▶ Small farmers need high value products to produce
- ▶ Small farmers in Kosovo are familiar with fruits and vegetable production
- ▶ Kosovo agriculture can supply many of the fruits and vegetable Kosovo consumers demand
- ▶ Kosovo can produce export quantities of some products

Constraints in the sector include the following:

- ▶ Good irrigated land is costly, driving down competitiveness
- ▶ Small farmers are difficult to organize into effective working groups
- ▶ Market infrastructure is weak – wholesale markets, regional collection centers, storage facilities are lacking
- ▶ Financial credits for agriculture are not sufficient.

⁴ The overview of the sector is largely based on the report: Lee, R., Yarmak, A., Disha, M. Audit of the Kosovo Fruit and Vegetable Sector, February 2009.

Company Performance

As with the construction companies, most companies surveyed do not necessarily have the most comprehensive and sophisticated accounting and record keeping systems. Hence, in analyzing and presenting the quantitative results of the survey, the Team prefers to emphasize the positive and negative trends in performance over the specific absolute value change.

In general, majority of the companies surveyed in the fruits and vegetable sector increased sales, employment, production and investment.

Fifty-nine percent (59%) of the fruits and vegetable companies surveyed increased sales while 41% of the companies decreased sales. For example, **Moni** company entered into a new contract with a chain of supermarkets called the ETC chain (ELKOS Group).

Sixty-five (65%) percent of the companies increased employment while 35% decreased employment.

A Majority of 81% increased their production value. These companies claim to have increased their customer base or expanded business with existing customers. Nineteen percent (19%) of companies decreased production value. It is likely that these companies saw a drop in production volume thereby also reducing their production value.

Sixty-three percent (63%) increased investment while 38% decreased investment. For example, **PEMA Association** and **Dinamanti** invested in a drip irrigation system. **Pema** also increased its surface by 3 hectares. **Ideal Gashi**, **Agrocompany** and **Fruti Association** invested in a storage facility. **Pisha** invested in machinery and expanded its premises.

Table 10: Fruits and Vegetable Companies Performance (FY 2008 – 2009)

Company	Sales	Employment	Production Value	Investment
1. Agrocompany	13%	0%	11%	- 84%
2. Agroservis	13%	0%	37%	-
3. Delta Pomfrit	- 56%	50%	- 55%	463%
4. Dinamanti	- 92%	67%	148%	233%
5. Dredheza	- 49%	- 17%	87%	- 13%
6. Fidanishtja Zahiri	2%	100%	131%	37%
7. Fruti	- 52%	18%	49%	-39%
8. Fungo FF	22%	43%	11%	733%
9. Halim Dervishi	- 82%	50%	32%	- 32%
10. Ideal Gashi	55%	167%	-	-
11. Juniperi Fructus	- 38%	33%	- 25%	-
12. KB Qingjat e Sharrit	25%	- 17%	25%	-
13. Leke Duhani	- 92%	50%	134%	2617%
14. Moni	26%	0%	19%	-
15. Pema	43%	13%	136%	-

16. Pisha	18%	- 11%	10%	-
17. Tini Commerce	40%	133%	-	-
18. Zejna	45%	0%	16%	283%

Note 1: Sector specialists validated 2008 data for the following companies: Agrocompany, Delta Pomfrit, Dinamanti, Fidanishtja Zahiri, Fruit, Fungo FF, Halim Dervishi, Ideal Gashi, Juniperi Fructus, KB Qingjat e Sharrit, Leke Duhani, Moni,Pema, Pisha, and Zejna. The validated figures are shown in the table above.

Note 2: The figures shown above are the result of the survey and the validation as mentioned in Note 1. Notwithstanding, some of the data remain conflicting and suspect. The Project Team suspects the following possible reasons: (1) the period for one year was not consistent for the period for the other year and there was confusion between fiscal year and calendar year, (2) the data provided was inflated or deflated for tax and reporting purposes; and (3) the data provided was inaccurate because of the companies' low level of trust of the surveyors or the exercise.

KCBS Assistance

Productive Capacity

In the category of productive capacity, the 'establishment of a nursery' and 'new technology and practices' which were inter-related ranked the highest.

Establishment of a Nursery and New Technology and Practices

Leke Duhani, a young fruit tree producer, benefited from the assistance provided by Fitofarma from Ferizaj who was engaged by KCBS to install a drip irrigation system in the nursery of this producer. Product quality and production capacity were increased immediately. Production volume increased from 6,700 young fruit trees on 2006 to 30,600 in 2009 as a result of the investment. Production cost decreased from €0.75 to €0.47 for every young fruit tree sapling. Furthermore, this allowed Leke Duhani to sell to other Kosovo municipalities, such as Theranda. The drip irrigation system is still in use and operating well. The company plans to further increase its production capacity and do the same investment for the additional land it purchased for the same production.

A similar intervention was done for **Halim Dervishi**. KCBS engaged Fitofarma from Ferizaj to provide assistance to Halim Dervishi, a young fruit tree producer, in installing a drip irrigation system in the nursery of Halim Dervishi. Similarly, product quality and production capacities were improved immediately. The company began selling to the municipality of Ferizaj which was a new market for it. Production volume increased from 27,800 young fruit trees in 2006 to 56,640 in 2009. Production cost decreased from €0.67 to €0.46 per fruit tree sapling. The drip irrigation system is still in use and operating well. The company plans to increase production capacities by looking for opportunities to invest in storage grafting materials required for production activities.

Dinamanti benefited from a similar assistance as above. Production volume increased from 4,800 young fruit trees in 2006 to 25,000 in 2009. Production costs decreased from €0.65 to €0.45 per young fruit tree sapling.

Table 11: KCBS Productive Capacity Assistance for Fruits and Vegetable Companies

1.0 Productive Capacity	Average
1.1: Feed grain products and practices	na
1.2: Soil sample and seed testing	na
1.3: Feed storage facility	na
1.4: Reproductive practices	na
1.5: Model milk collection center	na
1.6: New farms and operations	na
1.7: Pasture management practices	na
1.8 Broiler production, processing	na
1.9 Nursery established	4.8
1.10 New products	4.3
1.11 New technology and new procedures	4.8
1.12 Test plots	4.0
1.13 More efficient mix designs	na

Product Quality

In the category of product quality, the following interventions were ranked the highest: 'GHP GMP and HACCP certification', 'post-harvest handling', and 'new technology and practices'.

GHP, GMP and HACCP Certification

KCBS assisted **Agrocompany Association** and supported their Global GAP certification with Integra in Belgium. This helped the company increase its sales to Albania by 15%. However, it is unclear whether they will be able to continue the yearly surveillance required to sustain the certification due to cost and record-keeping issues.

Pema Association was among the first companies to obtain Global GAP certification and realized the benefits to buyers when you have the certification.

Post-harvest Handling and New Technology and Practices

According to the STTA report, the most fundamental disconnect between economic expectations on the part of the farmers and the market buyers is that most fruits and vegetables are not graded, sorted and packed into proper packages.⁵

Pema Association entered into a cost-sharing grant with KCBS to purchase new technology to improve grading, sorting and storage of apples. This improved product quality and increased the price and value of the product. This increased sales by approximately 40%, opened a new market in retail, and enabled a contract with the distribution center Elkos. It also increased employment by around 10%, and increased production volume by more than 10%. The company is still using the technology for grading and sorting apples although it claimed that during the previous year, the market was for 'not-sorted' apples.

Fruti Association benefited from post-harvest handling assistance from KCBS. A KCBS STTA provided advice on sorting, grading and packing of apples to the members of Fruti Association and other interested farmers. This training reduced damage of stored apples from cold temperatures during the winter by 15%. The activity increased production cost by 4%. However, proper storage, grading, sorting and packing also increased the sales price by 25% and allowed the association to sell to supermarkets. The enhanced education of farmers was an advantage in accessing finance but there was low interest in borrowing from banks. At present, most of the association members continue to apply the knowledge gained from KCBS, and the association plans to continue investment in storage facilities and invest in equipment for sorting, grading and packing equipment in order to add value to its products.

Fungo FF benefited from improvements in the cold storage facility. This activity opened up a new market for Fungo FF in Italy. This intervention increased sales, employment (more than 40%) and production volume (more than 10%) and decreased the cost of production. The company has continued to implement what was started with KCBS and plans to make further improvements in its cold storage facility.

Agrocompany entered into a cost-sharing grant with KCBS to purchase equipment for sorting and grading. The equipment had a significant impact on product quality for the association and increased sales by approximately 20%. It also enabled the opening up of new markets in Montenegro and Albania. The association continues to use the technology

⁵ The overview of the sector is largely based on the report: Lee, R., Yarmak, A., Disha, M. Audit of the Kosovo Fruit and Vegetable Sector, February 2009, page 16.

and practices learned from KCBS and plans to improve its storage facilities and the sorting and grading of potatoes.

Agrocompany Association also had a cost sharing grant to buy new equipment for grading and sorting potatoes. Coupled with the KCBS training on best practices, the assistance helped lower the cost of production and increase sales, especially to Albania.

Table 12: KCBS Product Quality Assistance for Fruits and Vegetable Companies

2.0 Product Quality	Average
2.1 GHP, GMP, HACCP	4.3
2.2 Post-harvest handling	4.3
2.3 Product quality standards and testing	4.0
2.4 Product packaging, design and labeling	4.2
2.5 New technology and practices	4.3
2.6 Best practice seminars	4.0

Market Linkages

In the category of market linkages, buyer-supplier matching ranked the highest.

Delta Pomfrit. KCBS built seven potato experimental fields in 2 agro-ecologic zones (Pestova and Dukagjini) with the objective of finding the best potato varieties for processing into French fries. Once the best industrial potato varieties were found, farmers produced potatoes for local processors such as Delta Pomfrit (and Pestova) based on the requirements and recommendations of these processors. This resulted in an increased number of contracts between Delta Pomfrit and potato farmers from Gjilan. This activity resulted in an improvement in the quality of potatoes and in opening a new market in Dukagjini. During the past year, however, the company has been focused on construction new processing facilities and has not been able to pursue additional contracts.

KCBS assisted **Pema Association** establish a linkage with the supermarket chain ELKOS Trading Center. Pema signed a contract to sell apples worth €300,000 and has been able to sustain the contract.

Moni developed a Memorandum of Agreement (MOA) with ETC (Elkos Group) and the Nedeks Hypermarket company. The MOA with ETC was pursued while the MOA with Nedeks was not pursued, and it is unclear why the buyer was not interested.

Agrocompany was able to establish linkages with the Albanian market, but no additional information could be obtained.

Table 13: KCBS Market Linkages Assistance for Fruits and Vegetable Companies

3.0 Market Linkages	Average
3.1 Trade shows	3.9
3.2 Buyer-supplier matching	4.3
3.3 New markets	3.5
3.4 Marketing and linkages	3.6
3.5 Branding	4.1
3.6 Promotional materials	3.8
3.7 Cooperatives or marketing companies	3.9

Financing

In the category of financing, business plan preparation ranked the highest followed by record keeping system while privatization of state-owned enterprises ranked the lowest.

Business Plan Preparation

KCBS assisted **Fruit Association** on how to prepare a business plan that was useful to apply for loans. According to Fruti, “we didn’t know what a business plan was. We learned what a business plan should include, and we learned that if we wanted to apply for a project, we needed to have a business plan.” However, as with the companies from other sectors, Fruti Association and most other companies remained hesitant to borrow from banks due to the high interest rates.

Other Information (Increased Awareness of Borrowing)

The Finance Fairs conducted by USAID were useful to companies such as **Pema Association** and **Agrocompany Association**. The Finance Fair allowed them to establish contacts and build relationship with banks. However due to the high interest rates (25%) and no grace period, the companies are still reluctant to borrow.

Table 14: KCBS Financing Assistance for Fruits and Vegetable Companies

4.0 Financing	Average
4.1 Business plan preparation	3.9
4.2 Record keeping system	3.7
4.3 New lending products and procedures	2.6
4.4 Increased awareness of borrowing	3.6
4.5 Privatization of SOE	2.7

Policy Advocacy / Association Building

In this category, only sector associations was relevant and they were ranked neutral.

However, according to **Fruti Association**, it was much easier to market their products through the association than individually. **Agrocompany Association** claimed it was easier not only to market their products but also to store their potatoes.

Table 15: KCBS Policy / Association Assistance for Fruits and Vegetable Companies

5.0 Policy / Associations	Average
5.1 Sector associations	3.1
5.2 Forest certificaion roadmap	na
5.3 Procurement practices for road construction	na

Conclusions

Company Performance

The fruit and vegetable sector remains a dynamic, competitive and important sector to the Kosovo economy. Although most processed food products sold in Kosovo, and even much of the fresh produce are imported, local producers still have the opportunity to gain a share of the market, if given the proper tools and techniques to become more competitive.

In general, most companies surveyed and interviewed increased sales, employment and production in the last year. Although their share of the market is probably small relative to the imported products, it appears that they have enjoyed the benefits and opportunities of larger demand and have likewise continued to make investments in their companies.

KCBS Assistance

Based on the results of the survey, the category of assistance that was most impactful, in order of ranking, were as follows:

- Productive capacity – establishment of a nursery and new technology and practices
- Product quality – GHP, GMP, HACCP certification, post-harvest handling, new technology and practices
- Market linkages – buyer-supplier matching
- Financing – business plan preparation
- Policy Advocacy / Association Building- sector associations.

During the focus group discussion, participating companies confirmed that in general, activities related to productive capacity, product quality and market linkages were most beneficial while financing and policy advocacy were least beneficial.

Livestock

Overview of the Sector⁶

The dairy industry is essential to economic development as it can provide jobs and income to low-income and subsistence level farm families.

There are about 83,000 livestock farms in Kosovo with about 140,000 cows. About 1% is commercial dairy farms or have more than 10 cows. Hence, milk producers are largely comprised of very small farms and 70% of dairy farmers have under 5 cows. Processors are relatively small operations compared to international dairy companies, resulting in low economies of scale.

The Kosovo dairy industry has only 30% of total domestic market share of value-added goods. About 70% of the domestic market for packaged dairy products is supplied by imports from European Union (EU) (e.g., Slovenia, Hungary, Bulgaria) and Central European Free Trade Agreement (CEFTA) countries. Many dairy products imported to Kosovo are subsidized directly for milk production or indirectly through the Single Farm Payment (SFP) system in the EU. Dairy products prices are lower than they would be without farm level and export product subsidies.

The sector is limited by issues of quality, consumer confidence, and consistency in delivery of brand proposition, outdated manual production facilities, undeveloped management skills and insufficient margins.

⁶ The overview of the sector is mostly taken from the STTA reports: Carples, S and Clary, M. Marketing Strategies to Enhance Market Share of Domestic Value-Added Dairy Products, February 2009; and Christ, P. Responding to Subsidized Dairy Imports Into Kosovo. September 2009.

KCBS Company Performance

As with the companies in construction and fruits and vegetables, most companies surveyed do not necessarily have the most comprehensive and sophisticated accounting and record keeping systems. Hence, in analyzing and presenting the quantitative results of the survey, the Team prefers to emphasize the positive and negative trends in performance over the specific absolute value change.

Among the 23 livestock companies surveyed, 57% of companies decreased sales while 43% of the companies increased sales.

Fifty percent (50%) of the companies increased employment and 50% decreased employment.

Fifty-nine percent (59%) decreased production value while 41% increased production value.

However, 75% of respondents increased investments while 25 % decreased investments.

According to industry experts, the decrease in sales was partly a result of the decrease in sales price of raw milk by 25-30% (e.g., Leggendasi, Simental), the decrease in sales prices of eggs and increase in import of eggs (e.g., Soni, Fit Dani, Taka), and poor management (e.g., Shala).

Yet, most companies continued to increase investments demonstrating the increased interest and optimism in the sector. According to industry experts, the following reasons are possible:

- Companies started their production with old/used equipment and not in proper facilities, and it became evident that they needed new technology to comply with quality standards to survive in the market;
- Increased demand for existing products;
- Needs for new products; and
- Implementation of food safety and quality control requirements.

Table 16: Livestock Companies Performance (FY 2008 – 2009)

Company	Sales	Employment	Production Val	Investment
1. Adi	34%	- 13%	60%	-
2. Agroleu	- 18%	11%	- 12%	-20%
3. Aldi	4%	- 9%	7%	85%
4. Dardania Farm	350%	17%	- 58%	- 82%
5. Diti	- 90%	- 17%	- 89%	-
6. Fit Dani	- 53%	- 62%	- 42%	-
7. Fitofarma	103%	0%	-	150%
8. Gjini & Tag	- 34%	- 56%	- 26%	-
9. Golaj	18%	0%	12%	140%
10. Jazi	-34%	50%	- 32%	108%
11. Koxha Commerce	20%	20%	24%	150%

12. Legjendasi	- 16%	33%	- 22%	-33%
13. Maluku	9%	0%	10%	-
14. Qengji	- 16%	67%	6%	-
15. Rona	- 36%	- 50%	- 46%	27%
16. Rudina	6%	18%	11%	-
17. Sazli	4%	- 14%	5%	-
18. Shala	- 71%	- 64%	- 66%	-
19. Sharri	4%	0%	6%	700%
20. Simental	- 13%	0%	- 14%	-
21. Soni	- 68%	2%	- 66%	32%
22. Taka	- 63%	- 78%	- 59%	-
23. Te Lirimi	- 58%	67%	- 9%	-

Note 1: Sector specialists validated 2008 data for the following companies: Agroleu, Aldi, Diti, Gjini & Tag, Golaj, Jazi, Koxha Commerce, Legjendasi, Maluku, Qengji, Rudina, Sazli, Shala, Sharri, and Simental. The validated figures are shown in the table above.

Note 2: The figures shown above are the result of the survey and the validation as mentioned in Note 1. Notwithstanding, some of the data remain conflicting and suspect.

The Project Team suspects the following possible reasons:

- (1) The period for one year was not consistent for the period for the other year and there was confusion between fiscal year and calendar year,*
- (2) The data provided was inflated or deflated for tax and reporting purposes; and*
- (3) The data provided was inaccurate because of the companies' low level of trust of the surveyors or the exercise.*

KCBS Assistance

Productive Capacity

In the category of productive capacity, the following were ranked the highest: 'feed grain products and practices' and 'broiler production and processing'.

Broiler Production and Processing

Koni Soni started broiler production. The company finished rehabilitating a part of their compound in Gjilan and completed a new slaughterhouse that included a cooling and freezing chamber which was supported by KCBS. The complete investment was € 200,000. At present, 100,000 broiler chicks are grown at the farms of Koni Soni and their contractors. Koni Soni will be included in the follow-on KPEP project.

Feed Grain Products and Practices

Jazi received KCBS advice regarding pelleted feeds, feed grain concentrates, feed formulations and feed mixing procedures. A KCBS STTA and local consultants provided training at Jazi and other local poultry farms about different concentrate formulations. The activity increased sales by about 13% and enabled the company to tap into new markets. For example, local broiler producers started to use Jazi's products and Jazi began exporting pelleted feeds to Albania, approximately worth €174,400. Production volume increased by 14% while production cost decreased by 9%. Much of the training is still being applied and the company plans to do more work in expanding its distribution network to sell the new product formulations.

Reproductive Practices

Koxha Commerce benefited from reproductive practices (e.g., artificial insemination) and feeding programs. These activities increased sales by about 10% and opened an export market in Bosnia and Herzegovina. Production volume increased by more than 20% and helped the company access bank loans worth €20,000.

Others - Model Milk Collection Center

Sharri benefited from the opening of 2 milk collection centers as it provides farmers with easier access to processors. The dairy plant continues to use milk collection centers and is planning to increase collection capacity in Dragash for cow and sheep milk. It is in the process of finalizing new operations that will provide processing capacity of 5,000 liters of milk per hectare and is in the process of starting HACCP implementation.

Golaj also benefitted from the milk collection centers and increased the volume of milk collected and processing quantity by 30%. The company is investing about € 30,000 to increase the processing capacity and improve product quality.

Others – Pasture Management Practices

Qenji. Most farmers had problems with sheep diseases so KCBS focused on reducing the mortality rate for sheep and lambs. KCBS organized five seminars on Good Health Management Practice. One hundred sheep farmers, including Qenji, received on-farm training on how to treat and prevent diseases. KCBS prepared a brochure for sheep farmers

regarding sheep health management practices, proper sheep feeding, sheep milk quality improvement and record keeping. The brochure was published in Albanian and Serbian.

Table 17: KCBS Productive Capacity Assistance for Livestock Companies

1.0 Productive Capacity	Average
1.1: Feed grain products and practices	4.6
1.2: Soil sample and seed testing	4.0
1.3: Feed storage facility	4.4
1.4: Reproductive practices	4.4
1.5: Model milk collection center	3.6
1.6: New farms and operations	4.3
1.7: Pasture management practices	3.5
1.8 Broiler production, processing	4.7
1.9 Nursery established	na
1.10 New products	4.2
1.11 New technology and new procedures	4.3
1.12 Test plots	4.5
1.13 More efficient mix designs	4.5

Product Quality

In the category of product quality, the following activities ranked the highest was: 'new technology and practices'. However, at the focus group discussion, participants also highlighted 'GMP and HACCP certification'.

New Technology and Practices

Agroleu learned about new technology and practices that were obtained from the US study visit. "The amount of water, lighting of the environment, use of soybean, hoof maintenance were all important in improving the quality of cow's milk", according to the company owner. Average production of milk from cattle increased from 15 to 26 liters. The company also received 5 boxes for calves from KCBS and raised 18 heifers in them.

Simental learned about feeding procedures and management practices in the US. As the owner stated: "I am convinced I am one of the farmers who get the highest quantity of milk from cows." Simental raised milk production by 50%.

Aldi implemented new yogurt recipes with KCBS assistance. More milk was processed into yogurt, and yogurt quality increased by 30%. At present, the same yogurt is in production, and the company is continuously evaluating ways to improve product quality.

Legjendasi received a donation of 5 boxes to raise calves which improved milk quality and quantity by 60%.

Sharri increased milk quality through the KCBS donation of 2 lacto freezers.

Koxha Commerce improved its sheep breed through a KCBS donation of a new breed of sheep.

GMP and HACCP Certification

Golaj's implementation of GMP quality standards was crucial in improving milk quality. The company continues to undertake the investments needed to implement the quality requirements.

Aldi underwent HACCP training but could not sustain its participation due to cost.

Table 18: KCBS Product Quality Assistance for Livestock Companies

2.0 Product Quality	Average
2.1 GHP, GMP, HACCP	3.6
2.2 Post-harvest handling	na
2.3 Product quality standards and testing	3.6
2.4 Product packaging, design and labeling	4.2
2.5 New technology and practices	4.3
2.6 Best practice seminars	4.2

Market Linkages

In the category of market linkages, the following activities ranked the highest: buyer-supplier matching, new markets and branding.

Buyer-Supplier Matching and New Markets

Koxha Commerce found new markets for lamb meat in Bosnia through KCBS. It exported 1,200 lambs in 2008. Unfortunately, this contract was not sustained because of transportation costs of exporting to Bosnia.

Jazi continued to export to Albania for the past 3 years. However, the problem of prices/taxes in Albania continues to be a threat to its business in Albania.

Branding

Koxha Commerce developed a new logo and improved product packaging with assistance from KCBS.

Table 19: KCBS Market Linkages Assistance for Livestock Companies

3.0 Market Linkages	Average
3.1 Trade shows	3.4
3.2 Buyer-supplier matching	3.7
3.3 New markets	3.7
3.4 Marketing and linkages	3.6
3.5 Branding	3.8
3.6 Promotional materials	3.2
3.7 Cooperatives or marketing companies	3.9
3.8 Others	4.4

Financing

In the category of financing, improving the record keeping system was the most important intervention.

Record Keeping System

Jazi benefited from learning about a modern record keeping system and continues to maintain books with same software provided through KCBS.

Agroleu indicated that “if I don’t keep the data, then I do not know if I am earning or not”. It acknowledged that the book keeping system taught by KCBS was helpful.

Table 20: KCBS Financing Assistance for Livestock Companies

4.0 Financing	Average
4.1 Business plan preparation	4.3
4.2 Record keeping system	4.6
4.3 New lending products and procedures	3.9
4.4 Increased awareness of borrowing	3.0
4.5 Privatization of SOE	4.0

Policy Advocacy/ Association Building

In the category of policy advocacy/ association building, the assistance provided to the sector was above average according to the survey. Focus group discussion participants claimed that the association of milk collectors did not respond to the needs of the members.

Table 21: KCBS Policy / Association Assistance for Livestock Companies

5.0 Policy / Associations	Average
5.1 Sector associations	4.1
5.2 Forest certificaion roadmap	na
5.3 Procurement practices for road construction	na

Conclusion

Company Performance

The majority of the companies surveyed decreased sales, decreased employment, decreased production value, and yet a majority increased investments. In general, this trend may demonstrate the increased challenges that most companies face in this sector in light of the increased competitive pressure from imported products and the pervasive challenges in quality, consumer confidence, consistency in delivery of brand proposition, outdated manual production facilities, undeveloped management skills and insufficient margins.

As noted earlier in this report, one company, Mazreku, formerly one of the biggest commercial farms, closed operations and switched to the construction sector given the perceived higher profit and reduced risk in the construction sector.

Yet, those who have chosen to remain in the sector have had to increase investments in order to survive. According to industry experts, increased investment may have been driven by the need to upgrade technology, increased demand for existing products, need for new products, and implementation of food safety and quality requirements, among others.

KCBS Assistance

Based on the results of the survey and the focus group discussion, the category of assistance that was most beneficial, in order of ranking, were as follows:

- Productive capacity, specifically feed grain products and processes, broiler production;
- Product quality, specifically new technology and practices, GHP GMP and HACCP certification;
- Financing, specifically record keeping system;
- Market linkage, specifically buyer-supplier matching, new markets, branding;
- Policy Advocacy / Association Building, specifically sector associations.

This is generally consistent with the challenges faced by the sector. As discussed in the sector overview, the livestock sector is constrained by issues related to quality (new technology, GHP GMP HACCP certification), consumer confidence, consistency in delivery of brand proposition (branding), outdated manual production facilities (new technology products and practices) and undeveloped management skills (record keeping systems).

CONCLUSIONS

Construction

Most of the construction companies surveyed continued to generate increased sales. More importantly, a majority of the companies continued to make significant investments in their company which is a testimony to the positive outlook toward the market and the industry. The construction sector continues to be an important and promising sector for the growing economy of Kosovo and most of the companies are positioning themselves for that.

In so far as KCBS's assistance is concerned, the most relevant and impactful assistance for the construction companies surveyed and interviewed was in the realm of Improving Product Quality, specifically implementing standards and testing and implementing new technology and practices. This is consistent with the major challenge facing the industry where quality assurance and quality control standards are the most critical to the sector's competitiveness.

Fruits and Vegetables

The fruit and vegetable sector remains a dynamic, competitive and important sector to the Kosovo economy. Although most processed food products sold in Kosovo, and even much of the fresh produce, are imported, local producers still have the opportunity to gain a share of the market if given the proper tools and techniques to become more competitive.

In general, most companies surveyed and interviewed increased sales, employment and production in the last year. Although their share of the market is probably small relative to the imported products, it appears that they have enjoyed the benefits and opportunities of larger demand and have continued to make investments in their companies.

Based on the results of the survey, the category of assistance that was most impactful, in order of ranking, were as follows:

- Productive capacity, specifically establishment of a nursery and new technology and practices
- Product quality, specifically GHP, GMP, HACCP certification, post-harvest handling, new technology and practices
- Market linkages, specifically buyer-supplier matching
- Financing, specifically business plan preparation
- Policy Advocacy / Association Building, specifically sector associations.

During the focus group discussion, participating companies confirmed that in general, activities related to productive capacity, product quality and market linkages were most beneficial while financing and policy advocacy were least beneficial.

Livestock

A majority of the companies surveyed decreased sales, decreased employment, decreased production value, and yet a majority increased investments. In general, this trend may demonstrate the increased challenges that most companies face in this sector in light of the increased competitive pressure from imported products and the pervasive challenges in quality, consumer confidence, and consistency in delivery of brand proposition, outdated manual production facilities, undeveloped management skills and insufficient margins.

As noted earlier in this report, one company, Mazreku, formerly one of the biggest commercial farms, closed operations and switched to the construction sector given the perceived higher profit and reduced risk in the construction sector.

Yet, those who have chosen to remain in the sector have had to increase investments in order to survive. According to industry experts, increased investment may have been driven by the need to upgrade technology, increased demand for existing products, need for new products, and implementation of food safety and quality requirements, among others.

Based on the results of the survey and the focus group discussion, the category of assistance that was most beneficial, in order of ranking, were as follows:

- Productive capacity, specifically feed grain products and processes, broiler production;
- Product quality, specifically new technology and practices, GHP GMP and HACCP certification;
- Financing, specifically record keeping system;
- Market linkage, specifically buyer-supplier matching, new markets, branding;
- Policy Advocacy / Association Building, specifically sector associations.

This is generally consistent with the challenges faced by the sector. As discussed in the sector overview, the livestock sector is constrained by issues related to quality (new technology, GHP GMP HACCP certification), consumer confidence, consistency in delivery of brand proposition (branding), outdated manual production facilities (new technology products and practices) and undeveloped management skills (record keeping systems).

ANNEXES

- Annex 1 Company Survey
- Annex 2 List of Companies Surveyed
- Annex 3 Quantitative Survey Results

Annex 1: Company Survey

'KCBS One Year On' Company Survey

Kosovo Private Enterprise Partnership (KPEP)

Thank you for taking the time to fill out this survey. We are following up on the companies assisted by the USAID Kosovo Cluster and Business Support (KCBS) Project one year after project completion. The purpose of the survey is to determine how your company has performed over the last year, from October 2008 to October 2009, and to determine which KCBS activities were the most effective. Please answer as many questions as you can. Your responses will be kept completely confidential. Thank you for your cooperation.

Company Name	
Employee Name	
Employee Position	
E-mail	
Phone	

Part A: Company Information

Stage in Economic Chain: Production, Processing, 'Commercialization, or Others	
Products/Services	
Markets Served: Domestic or export; If export, please specify export markets	

Indicator	Unit	2008	2009
Annual Sales: total value of goods and services sold during the year	Euros		
Employees: full-time plus part-time employees	Number of jobs		
Full-Time Employees: total number of employees who work 40 or more hours per week	Number of jobs		
Part-Time Employees: total number of employees who work less than 40 hours per week	Number of jobs		
Production: total <u>value</u> of products produced in the last year	Euros		
Production: total <u>volume</u> or products produced in the last year	Please specify		
Investment: total value of capital investment in the company	Euros		
Financing: total value of financing from commercial banks, non-bank and microfinance institutions	Euros		

Part B: KCBS Assistance

Please check (✓) the box that applies. If the activity does not apply, please check the box ‘NA’.

1.0 Improving Productive Capacity	Highly Effective (5)	Effective (4)	Neutral (3)	Ineffective (2)	NA (1)
1.1 Feed grain products and practices (e.g., pelleted feeds, feed grain concentrate feeding programs, feed formulation software, feed mix)					
1.2 Soil sample and seed testing for animal feed					
1.3 Feed storage facility					
1.4 Reproductive practices (e.g., artificial insemination) and feeding programs (e.g., lamb, ewe)					
1.5 Model milk collection center					
1.6 New farms and operations (e.g., bull fattening farm, calf rearing operation)					
1.7 Pasture management practices (e.g., proper lambing process)					
1.8 Broiler production/processing operation					
1.9 Nursery established (e.g., vegetable transplants)					
1.10 New products (e.g., frozen vegetables, frozen peppers, dried blueberries, alfalfa, cheeses, frozen french fries)					
1.11 New technology (e.g., orchard production machinery, rotobaling) and new procedures (e.g., drip irrigation)					
1.12 Test plots (e.g., blueberries, tomatoes, potatoes)					
1.13 More efficient mix designs (concrete)					
1.14 Others: Please identify _____					
1.15 Overall impact of Productive Capacity activities					
Comments:					

2.0 Improving Product Quality	Highly Effective (5)	Effective (4)	Neutral (3)	Ineffective (2)	NA (1)
2.1 GHP, GMP or HACCP training and certification					
2.2 Post-harvest handling (e.g., Grading / Sorting / Packing procedures cold storage)					
2.3 Product quality standards and testing systems (e.g., EN standards for cement, Raw Milk Quality Decree, laboratory testing for milk, egg quality and grading standards, EU certification for lamb and sheep production)					
2.4 Product packaging, design and labeling (e.g., Packaging Design Competition)					
2.5 New technology and practices (e.g., livestock)					
2.6 Best practice seminars (e.g., construction, good dairy farm, good pasture cropping, nutrition and disease prevention), and new product presentations (e.g., dairy)					
2.7 Others: Please identify _____					
2.8 Overall impact of Product Quality activities					
Comments:					

3.0 Improved Market Linkages	Highly Effective (5)	Effective (4)	Neutral (3)	Ineffective (2)	NA (1)
3.1 Trade show preparation and attendance					
3.2 Buyer-supplier matching; contract development (e.g., sub-supplier network, forward purchase contracts, supply/purchase contracts, foreign investors)					
3.3 New markets (e.g., sheep cheese)					
3.4 Marketing and linkages conference					
3.5 Branding (e.g., KS logo, apple logo)					
3.6 Promotional materials (e.g., blueberry export guide and brochures)					
3.7 Cooperatives or marketing companies (e.g., farmers association)					

3.8	Others: Please identify _____					
3.9	Overall impact of Market Linkages activities					
Comments:						

4.0 Strengthened Capacity to Access Finance	Highly Effective (5)	Effective (4)	Neutral (3)	Ineffective (2)	NA (1)
4.1 Business plan preparation and loan application assistance (e.g., model business plan)					
4.2 Record keeping system (e.g., Dairy Herd Improvement Program, accounting software)					
4.3 New lending products and procedures New products (e.g., PO finance, pre-shipment finance, leasing, dairy equipment finance) New collateral instruments (e.g., farmer-buyer contract)					
4.4 Increased awareness of borrowing from financial institutions (e.g., Finance Fair, Finance Workshop)					
4.5 Privatization of SOE (construction, poultry only)					
4.6 Others: Please identify _____					
4.6 Overall impact of Access to Finance activities					
Comments:					

5.0 Policy Advocacy / Association Building	Highly Effective (5)	Effective (4)	Neutral (3)	Ineffective (2)	NA (1)
5.1 Sector associations (e.g., Association of Wood Producers in Kosovo, Kosovo Association of Milk Producers, Association of Meat Processors and Producers,)					
5.2 Forest Certification roadmap (wood processing sector only)					
5.3 Advocated improved procurement practices for road construction (construction sector)					

only)					
5.4 Others: Please identify _____					
5.4 Overall impact of Policy/Association activities					
Comments:					

6.0 Overall Impact of KCBS Activities	Highly Effective (5)	Effective (4)	Neutral (3)	Ineffective (2)	NA (1)
Overall impact of KCBS activities on your company					
Comments:					

Thank you for your cooperation in completing this survey!

Annex 2: List of companies and participants

Table 1: Construction Companies

Company Name	Individual Surveyed, Position	FGD Participant, Position
1. Ana	Lubisa Staletovic, Owner	Didn't participate
2. As	Milorad Antonijevic, Owner	Didn't participate
3. Brest PMP	Darko Slavkovic, Owner	Didn't participate
4. Eko-kim	Nenad Kalaba, Owner	Didn't participate
5. Fetoshi	Tahir Shala, Accountant	Didn't participate
6. Kamilja	Bojan Jakovlevic, Owner	Didn't participate
7. Kosova Plast	Albert Dernjani, Sales manager	Didn't participate
8. Tulletorja	Xhemail Zeqiri, Director	Didn't participate
9. Vellezerit e Bashkuar	Sami Gashi, Accountant	Didn't participate
10. FAN Zahir Pajaziti	N/A	N/A
11. Niti Com	N/A	N/A

Table 2: Fruits and Vegetable Companies

Company Name	Individual Surveyed, Position	FGD Participant, Position
1. Agrocompany	Shaip Kelmendi, Director	Ardian Kelmendi, Owner
2. Agroservis	Gjon Musolli, Owner	Didn't participate
3. Delta Pomfrit	Enver Sherifi, Owner	Didn't participate
4. Dinamanti	Imer Nitaj, Owner	Imer Nitaj, Owner
5. Dredheza	Xhavit Mulaj, Owner	Didn't participate
6. Fidanishtja Zehiri	Zahir Halili, Owner	Zahir Halili, Owner
7. Fruti	Blerim Shefkiu, President	Blerim Shefkiu, President
8. Fungo FF	Fatmir Krasniqi, Owner	Fatmir Krasniqi, Owner
9. Halim Dervishi	Halim Dervishi, Owner	Halim Dervishi, Owner
10. Ideal Gashi	Visar Gashi, Owner	Visar Gashi, Owner
11. INP	N/A	N/A
12. Juniperi Fructus	Ibrahim Rexhepi, Owner	Ibrahim Rexhepi, Owner
13. KB Qingjat e Sharrit	Selmon Sylejmani, Director	Didn't participate
14. Leke Duhani	Lekë Duhani, Owner	Didn't participate
15. Moni	Selmon Shala, Director	Selmon Shala, Director
16. Pema	Safet Blakaj, President	Safet Blakaj, President
17. Pisha	Selajdin Shehu, Owner	Selajdin Shehu, Owner
18. Tini Commerce	Abedin Morina, Owner	Didn't participate
19. Zejna	Zejnullah Terziu, Owner	Didn't participate

Table 3: Livestock Companies

Livestock Companies	Individual Surveyed, Position	FGD Participant, Position
1. Adi	Abdurrahman Konjufca, Owner	Didn't participate
2. Agroleu	Dukagjin Deda, Owner	Dukagjin Deda, Owner
3. Ajka	N/A	N/A
4. Aldi	Gani Durmishi, Owner	Didn't participate
5. Dardania Farm	Kastriot Berisha, Owner	Didn't participate
6. Disa	N/A	N/A
7. Diti	Isuf Krasniqi, Owner	Didn't participate
8. Fit Dani	Muzafer Maliqi, Owner	Didn't participate
9. Fitofarma	Isak Begisholli, Owner	Didn't participate
10. Gjini & Tag	Tomë Gjini, Owner	Didn't participate
11. Golaj	Behxhet Golaj, Gen.Manager	Behxhet Golaj, Gen.Manager
12. Jazi	Bashkim Gashi, Owner	Labinot Gashi, Gen.Manager
13. Koxha Commerce	Bekim Koxha, Owner	Bekim Koxha, Owner
14. Legjendasi	Bajram Mujota, Owner	Bajram Mujota, Owner
15. Lulja e Sharrit	N/A	N/A
16. Luma Commerce	N/A	N/A
17. Maloku	Hasan Maloku, Owner	Didn't participate
18. Mazreku	N/A	N/A
19. Qengji	Luan Bahtiri, Owner	Luan Bahtiri, Owner
20. Rona	Remzi Shahini, Owner	Didn't participate
21. Rudina	Driton Krasniqi, Gen.Manager	Didn't participate
22. Sazli	Xhemajl Reçica, Owner	Didn't participate
23. Shala	Zymer Zymberi, Owner	Zymer Zymberi, Owner
24. Sharri	Veli Ibrahimimi, Owner	Veli Ibrahimimi, Owner
25. Simental	Adem Jetishi, Owner	Adem Jetishi, Owner
26. Soni	Florim Alija, Accountant	Didn't participate
27. Taka	Osman Uka, Owner	Didn't participate
28. Te Lirimi	Zaim Vehapi, Owner	Zaim Vehapi, Owner