



USAID/Kosovo Newsletter

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Business Development in Kosovo

Business development activities supported by USAID is helping privately owned businesses emerge into larger markets, run sustainable businesses, and turn a profit.

With Albanian Kosovars emerging from 10 years of exclusion from most business interactions, and a large part of the region emerging from 40 years of communist rule, free trade and private enterprise in Kosovo have some tough and unique barriers to overcome.

With the help of USAID's Kosovo Business Support (KBS) program, business owners are learning ways to overcome these obstacles. Since October 2000, the KBS program, which is implemented by Chemonics International, has directly supported small and medium-sized private enterprises (SMEs) that have high potential for rapid growth and employment generation. KBS also provides broad support to the business community through training programs, sector analyses, and trade and investment linkages. Most recently, in July 2002 KBS began focusing additional efforts on the agribusiness, construction and the wood processing sub-sectors. KBS has worked with over 800 SMEs and has assisted over

260 of its clients to realize a 20% increase in sales. This has been done by helping Kosovar businesses improve their competency in key functional areas and by providing them with opportunities and linkages throughout the market. As a result of this USAID supported program, many business owners are finally getting a sense of what it is like to succeed in a free market environment.

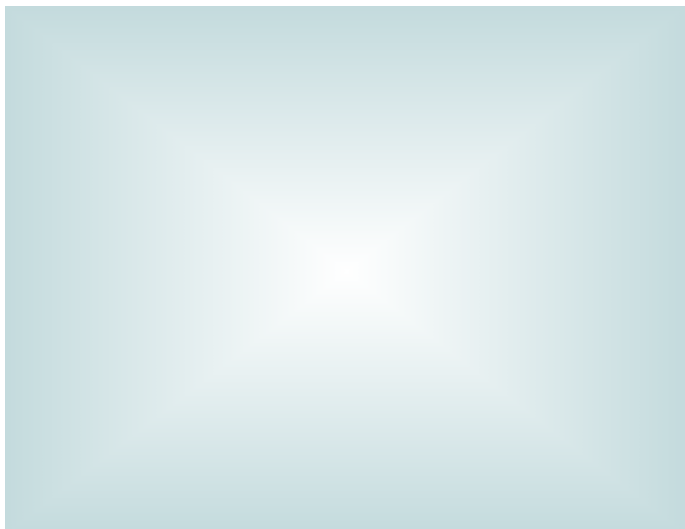


Delivery trucks at the open market in Pristina where businesses come to sell their products on a daily basis. As Kosovo businesses expand their product lines and improve quality they may soon be able to export goods regionally

NEW ROADS FOR KOSOVO BUSINESS

USAID's Kosovo Business Support (KBS) has played a very important role establishing linkages for Kosovo companies both inside and outside of Kosovo and facilitating the presence of Kosovar businesses on the international scene. In March 2002, KBS facilitated the participation of fifty-nine of their clients at the annual Resale Used Equipment Trade Show in Nuremburg, Germany, where they were able to network and purchase used equipment. Then, in June 2003, companies learned the true value of international networking and product marketing at the Skopje International Trade fair.

From June 3rd to 7th 2003 a collection of booths and product information from Kosovo companies were on display at the Skopje International Trade Fair; a multi-day venue for businesses to promote their products and establish linkages. 20 Kosovar companies exhibited their goods and services together



New Roads for Kosovo Business

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with businesses from Serbia and Montenegro, Albania, Bulgaria and Bosnia-Herzegovina in what was the first Southeast Europe Exposition; providing a chance for regional businesses to publicly demonstrate their interethnic and interregional cooperation. KBS provided a range of integrated technical assistance to ensure that booth displays and marketing materials were appropriate to attract potential international buyers. KBS also worked with clients to review product costing so that goods and services offered were both competitive and profitable. Individual companies were responsible for their own travel and accommodation expenses, and paid fees to KBS for the technical assistance provided.

By providing information and opportunities for business owners, connections are being made. Kosovar companies are finally getting a sense of the opportunities that lie before them. "Our purpose is to introduce something new", remarks Debra Wahlberg, Chief of Party at KBS. That is exactly what KBS has done by opening doors for these local businesses. They have introduced opportunities that many companies may have not known existed otherwise. As a result, businesses are now seeking similar opportunities on their own. ☘

OVERCOMING ETHNIC BARRIERS

Just over a decade ago, most Balkan institutions did business within one country -- communist Yugoslavia. Although a command economy limited opportunities for entrepreneurship, there were no borders, no customs controls or barriers to trade, and there was collaboration among businesses from Sarajevo to Belgrade to Pristina. Thirteen years later, it is a very different story, and linkages must be entirely rebuilt. Trade and business cooperation is hindered in the Balkans by both formal barriers and the psychological scars of recent interethnic conflict. Most Kosovars have not been to Belgrade since well before the 1999 conflict. Most Serbs feel they would not be welcome in Pristina.

*"There is sometimes difficulty in reaching across the borders to establish or reestablish contact. -
We're providing a comfort level to enable businesses to do this."
Debra Wahlberg, Chief of Party KBS*

To help businesses overcome these barriers and find ways to collaborate, KBS began implementing Business to Business Roundtables (B2B) in January 2002. By attending a B2B event, representatives of regional businesses (many of which are KBS clients) are given a table and an identification sign, and are able to spend an entire day networking and exploring ways to collaborate to identify new markets, technology, and sources of raw material.

These B2Bs have reaped real results. Kosovar companies have found ways to export products and have located new sources of raw materials. "It's really rewarding for the companies." said Luan Berisha, Executive Director of the Kosovo Export Association. "To meet 200 other businesses in one hall is not going to happen every day. They have lost touch with businesses in other countries, and this helps link them up again."

In addition to their impact on intraregional business, the B2Bs themselves are an important breakthrough for Balkan society and ethnic reintegration. Last October, two buses of business people from Kosovo traveled to Belgrade for a regional B2B. Not only were many of these individuals visiting Serbia for the first time since the 1999 conflict, Serb and Albanian Kosovars sat together and shared experiences while on the bus. Once in Belgrade, Serbian businesspeople took their Albanian Kosovar colleagues out to lunch and ensured them a problem-free visit. In March 2003, over 40 companies traveled from Belgrade to Pristina for another B2B. The representative of the Rakovica Business Association was so impressed by the Pristina B2B that since then he has traveled on his own from Serbia to Kosovo to develop business contacts. In September 2003, KBS plans to work with its network of regional partners to organize another B2B in Tirana, Albania.

"There is sometimes difficulty in reaching across the borders to establish or reestablish contact," said Debra Wahlberg, chief of party for the KBS program. "We're providing a comfort level to enable businesses to do this."

In addition to regional B2Bs, KBS has also organized interethnic business roundtables within Kosovo to encourage business linkages among private sector companies of all ethnic groups throughout Kosovo. The first interethnic B2B was held in the ethnically partitioned city of Mitrovica and attended by 40 companies. Luan Berisha was pleasantly surprised at how well it went between Serb Kosovar and Albanian Kosovar businesspeople. "The first few minutes in the hall were very silent," he says. "But after about ten minutes, people began to discuss business."



Business owners at a recent B2B that was organized by KBS

The next interethnic B2B held in February 2003 in Shtërpce/ Strpce/involved over 100 companies. Although hesitant at first, positive word-of-mouth reactions fueled enthusiasm among businesspeople for building interethnic business connections in Kosovo. After working in Kosovo and the region for only three years, KBS has earned respect as a project that not only strengthens businesses, but also makes major strides in overcoming both institutional and ethnic barriers. ☘

THE ENTREPRENEURS OF KOSOVO

SWEET SECRETS IN KOSOVO

Even as a little girl, Sne ana Micenkovic loved to bake. She never dreamed she would one day make a living at it.

Sne ana, a Kosovar Serb living in the village of Gotovushë/ Gotovuša, had never had ambitions of becoming an entrepreneur. Nonetheless, when she lost her job after the conflict in Kosovo in 1999 she and her husband became concerned about how their family of six would make ends meet. When her children came home hungry, complaining that there was no good food to buy near the local school, Sne ana had an idea. In September 2000, she started waking up very early and making sandwiches to sell to schoolchildren for breakfast and lunch. Arriving every day, she became very popular among the children, sometimes selling up to 100 sandwiches in a day. "When I was late, they came to my house," said Sne ana, laughing.

After a year and a half of sandwich-making, in April 2002 Sne ana heard about an opportunity to obtain financing through a micro-lending organization. She received a grant to start a small bakery and sandwich shop in Gotovushë/ Gotovuša. People began coming from all over the area to buy her pastries and sandwiches, and to order cakes for special occasions. Within two months she was able to open a second shop in the nearby town of Shtërpce/ Strpce. She named both the shops "Slatka Tajna," or "Sweet Secret."

The shops were not secret for long. Word spread about the quality of the food, and soon Sne ana was scrambling to keep up with the work. "In the beginning I was alone, and I was afraid to employ someone because I wasn't sure I would make enough money to pay them." Despite help from her family, Sne ana was getting up at four in the morning every day, and often working well past midnight-she was exhausted. That was when she began working with the USAID-funded Kosovo Business Support program.

KBS specialists assessed the business, and made some recommendations to Sne ana. They suggested that she network with other local businesses, and helped explore suppliers that would reduce her operating costs and increase her profitability. KBS helped Sne ana to develop a marketing plan, and trained her in new accounting software. "They really opened my eyes, because KBS suggested things that I had never considered before. I developed some connections with other businesses in Strpce, which increased the demand for my product significantly." Now Sne ana sells her cakes and baked goods to six other restaurants and cafes in the area.

The expansion of her business also enabled her to hire two full-time staff, and with their help Sne ana can now breathe a bit. But she is still busy, and hopes to increase her production capacity, and perhaps even open a seasonal shop at the nearby Brezovica ski resort.

"That is one of the qualities that impressed us about Sne ana," said KBS Business Development Specialist Dagfinn Moe. "She's an excellent example of how small businesses can really start from nothing. She had a great idea, and she was willing to see this opportunity and grab it. She works hard and never gives up. That is the quality that makes real entrepreneurs." ❀

THE SUCCESS OF SOLID SHOES

Running a business in Kosovo is not an easy venture -- especially when you're faced with the challenges that Ahmet Kuqi has.

After enduring complete destruction of his shoe factory and its equipment in 1999, Ahmet picked up the pieces by himself and moved on. Now he and his brother are running a successful factory in Southwest Kosovo, producing some 279 styles of shoes for distribution throughout Kosovo and the region. By participating in various training and networking opportunities, Ahmet has benefited greatly from information and advice provided by KBS.



Ahmet Kuqi co-owner of 'Solid Shoes' manufacturing in Suharekë/ Suva reka

After running a small retail shoe shop in Suharekë/ Suva Reka in 1990 Ahmet and his brother created 'Solid Shoes', the only shoe producer in Kosovo. Not wanting to rely on outside manufacturing they decided to open their own factory. Purchasing equipment with an agreement to delay full payment until production was started, the brothers found themselves in the business of making shoes in November 1994.

The business did extremely well, and for five years expanded to eventually employ a total of 50 people. Then, by 1999, Kosovo had erupted. Fleeing to Albania, Ahmet left his home and his business behind. Upon return in June of 1999, he, along with many other Kosovar business owners, found devastation. "All was destroyed" said Ahmet, as he recollected the generous help he received from friends to rebuild what he could of his home and his factory. After rehiring 28 former employees, the shoe factory in Suhareke/ Suva-Reka opened again on November 28th, 1999, the very same day that business had started in 1994.

"From that date the factory hasn't stopped running" says Ahmet proudly. 'Solid Shoes' is now operating at full capacity, and only slows for the annual shut-down when all 64 employees take well deserved time off. Ahmet and his brother have steadily increased their pool of purchasers. Since becoming involved with KBS, they have benefited from accounting and marketing training and have stayed abreast of local and regional networking opportunities.

In April 2002, KBS helped Ahmet attend the Nuremburg Resale Trade Fair, where he was able to purchase equipment. Then in July, Ahmet attended a B2B activity in Tirana where he made contact with an Italian/Albanian shoe manufacturer. Since establishing this linkage 'Solid Shoes' has exported its shoes to Albania. Additionally, the two companies are working on a contract to expand their product lines by distributing each other's goods.

Having overcome significant setbacks, Ahmet still encounters difficult barriers daily. He states that his largest wish as a businessman is to have the support of the government. Currently, 'Solid', like other manufacturers, is required to pay high import duties on raw materials and equipment for its operations.

Despite challenges and barriers, 'Solid Shoes' is growing and hiring more employees. Ahmet acknowledges, "Owning a business has not just been about the money...I feel good about training people and making them better". It is obvious that he would choose no other way to make a living. "Every night before I go to bed, I go to the factory-the smell and the sense of it makes me feel good." ❀

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KBS Results to Date

KBS is currently working with over 350 active clients. Results of their program to date include:

- 14 Business to Business events facilitated to date.
- A total of 557 trade and investment linkages facilitated - valued at 20,939,088 euros
- 600 enterprise business plans developed and implemented.
- Over 40% of enterprises have increased their profitability by not less than 5%
- KBS Business to Business meetings and Trade Fairs have been attended by over 660 Kosovar businesses so far.
- Over 635 jobs have been created

The end of 2003 will mark the close of USAID's initial strategic plan for Kosovo. Since its outset, initial stabilization and emergency assistance priorities have gradually rolled into the larger development initiatives of building democracy and strengthening the economy. The upcoming five years will see objectives built on the progress to date, and will focus on creating capable government structures and local governance, as well as strengthening the climate for investment and the private sector economy.

To date USAID assistance has contributed over \$200 million to Kosovo. Percentages by sector are outlined in the diagram below:

