



**Policy Paper**

**The Rahovec-Brussels Express**

*November 25, 2009*

This policy paper has been produced with the generous support and initiation of the  
Kosovar Foundation for Open Society

Copyright © IKS, 2009

## The Rahovec-Brussels Express

### Contents

INTRODUCTION.....	1
WELCOME TO RAHOVEC.....	3
WINE PRODUCTION IN RAHOVEC.....	4
The Land of Grapes.....	4
A Passion for Wine or a Means for Subsistence.....	9
Real Prospects for Growth.....	11
On to Europe and Then the World.....	13
EN ROUTE TO BRUSSELS.....	15
Reality Check.....	18
What Am I Drinking And From Where.....	19
Where is Kosova?.....	22
POTHOLES ON THE ROAD TO BRUSSELS.....	22
Calling All Investors.....	24
What of Women and Wine?.....	25
THE RAHOVEC – BRUSSELS EXPRESS: A ROADMAP.....	26

## INTRODUCTION

The Kosova “final status” process set the wheels in motion for the state’s future European Integration. Following the Declaration of Independence in February 2008, the Government of Kosova faced a cascade of economic and social problems that had been put on hold for at least a decade. One of the biggest challenges has been identifying ways to create new employment opportunities that will generate sustainable economic growth.

Closely related is the burning question of Kosova’s “European destiny.” Beyond the rhetoric of Europeanization, what will it take in concrete policy terms to make Kosova fit for European Union (EU) membership? International organizations and institutions have begun steps to establish policies toward EU integration. But the extent to which policy decisions made at the national level trickle down to Kosova’s villages and impact the lives of Kosova’s rural citizens has barely been discussed.<sup>1</sup> However, aside from the fact that Kosova must work to fulfill the detailed requirements set forth in the *Acquis Communautaire* as a condition for EU membership, with agriculture among the most stringent and challenging chapters of the *acquis*, there are additional important reasons for developing agriculture in Kosova.

The Ministry of Agriculture, Forestry, and Rural Development may have been the least funded Ministry in both 2008 and 2009,<sup>2</sup> but do not let this fool you. Agriculture is an *essential* sector for Kosova. An estimated 60 percent of Kosova’s population lives in rural area,<sup>3</sup> and the Statistical Office of Kosova reported that agriculture was “the most important branch of the Kosova economy,” comprising 16.9 percent of economic activity in 2007.<sup>4</sup> Further, in spite of weak governmental support for the sector and a poor legal climate that presents further obstacles to farmers,<sup>5</sup> agriculture makes up approximately 30 percent of Kosova’s GDP.<sup>6</sup> Indeed, agriculture is *the largest employer in Kosova* today, employing an estimated 145,000 people, compared a mere 85,000 in the non-agricultural private sector.<sup>7</sup>

Identifying opportunities for strengthening the agricultural sector will address some social problems pestering Kosova as well. Poverty, illiteracy, low levels of educational attainment

---

<sup>1</sup> IKS has undertaken research on decentralization and its impact at the municipal level to date (forthcoming, beginning of 2010). During the conference on “Gender and Identity” organized by the Agency for Gender Equality in the Office of the Prime Minister of Kosova in Prishtina in March 2009, participants also emphasized the need to identify the impact that national policies have on rural communities and on women in particular.

<sup>2</sup> Ministry of Economy and Finance, Republic of Kosova, Budget Sheets for 2009.

<sup>3</sup> MAFRD, “The Kosovo Greenbook: A Strategy for Sustainable Agricultural and Rural Development in Kosovo,” Prishtina, Kosova: May 2003, pg. 8.

<sup>4</sup> Agriculture is dually the second largest employer for women, comprising 19.3 percent of the employment share (following only the education sector at 20.2 percent). SOK, *Labour Market Statistics*, Prishtina: SOK, 2008, p. 18, at <http://www.ks.gov.net/ESK/eng/dmdocuments/Labour%20Market%20Statistics%202007.pdf>, accessed 27 May 2009.

<sup>5</sup> See the facts in the chapters to come.

<sup>6</sup> MAFRD, “The Kosovo Greenbook: A Strategy for Sustainable Agricultural and Rural Development in Kosovo,” Prishtina, Kosova: May 2003, pg. 8.

<sup>7</sup> MEST, MAFRD, FAO, “A strategy for Education for Rural People in Kosova,” p. 24.

(particularly for girls),<sup>8</sup> inaccessible healthcare,<sup>9</sup> and domestic violence<sup>10</sup> are only a few of the issues disproportionately plaguing people in rural areas. Identifying clear strategies for developing agriculture and improving their economic status can thus contribute to progress toward the Millennium Development Goals (MDGs), the European Partnership Action Plan (EPAP),<sup>11</sup> and numerous other governmental action plans.<sup>12</sup>

Through this research, the Kosovar Stability Initiative (*Iniciativa Kosovare per Stabilitet – IKS*) sought to tackle some of these challenges by taking a closer look at one rural economy: Rahovec.<sup>13</sup> The Municipality of Rahovec with its rich history in wine production and fertile agricultural land has great potential for future growth. It has also demonstrated progress following the privatization process where some of its neighboring municipalities like Gjakova and Prizren have faltered. Lessons learned from Rahovec may provide solutions for these currently stagnant sections of the wine industry.

Although the wine industry is only a drop in Kosova’s agricultural sector, it holds among the most potential for entering European markets where the demand for imported wines is great. Culturally, as a symbol of development and progress, professionalizing the wine industry can also boost Kosova’s foreign image. As a policy paper, “The Rahovec – Brussels Express” poses practical policy options toward sustainable economic growth as part of a “roadmap” for Kosova’s Europeanization. So let’s toast: To Brussels, here we come!

---

<sup>8</sup> While women in urban areas have an average of nine years of schooling, their rural counterparts have about seven years. Both have less schooling on average than men (SOK, *Women and Men in Kosova*, Prishtina: SOK, March 2009, p. 35). For reasons why children in rural areas lack access to school, particularly girls, see Kosova Women’s Network (KWN), *Security Begins at Home*, Prishtina: Agency for Gender Equality, 2008.

<sup>9</sup> While little official data exists in regards to access to healthcare, a number of qualitative studies have pointed to the problem, especially for women who do not have control over family resources. See, for example, KWN, *Security Begins at Home: Exploratory Research on the Extent of Gender-Based Violence in Kosova and Its Impact on Women’s Reproductive Health*, Prishtina: KWN, March 2008; and *Monitoring Implementation of United Nations Security Council Resolution 1325 in Kosova*, Second Edition, Prishtina: KWN, 2009.

<sup>10</sup> Women and girls living in rural areas are among the most at risk of suffering domestic violence (see KWN, *Security Begins at Home*).

<sup>11</sup> A number of EPAP priorities are related to agricultural development and improving the conditions of rural women in particular. Action 39.6 calls upon the Government to “Increase the number of entrepreneur women through providing opportunities for greater access to property, capital and loans, by erecting women loan programs, and special rural women loans specifically.”

<sup>12</sup> For example, Objective 4.1 of the “Strategy and Action Plan on Human Rights of the Republic of Kosova (2009-2011)” calls for ensuring equal access to quality education, including for girls in rural areas.

<sup>13</sup> In the absence of ready-made and reliable statistics, IKS undertook a detailed case study of Rahovec municipality. IKS used a research methodology developed and applied successfully by the European Stability Initiative (ESI), combining a case study with in-depth analytical research to inform policy advocacy. The case study involved a review of existing legislation, literature, and available statistical data, as well as an economic mapping of Rahovec based on unstructured interviews with a diverse cross-section of the community. The case study both tested and verified existing data, as well as enabled the identification of economic and social trends in the municipality.

## WELCOME TO RAHOVEC

In southwest Kosova, bordering the municipalities of Gjakova, Klina, Suhareka, and Prizren, lies the Municipality of Rahovec. A ride through the heart of Rahovec is well worthwhile. Villages stretch along the hillsides as one descends into the valley, surrounded by the hills of Drenica to the northeast and the Albanian Alps bordering Albania to the southwest. This fertile land between the larger cities of Gjakova and Prizren benefits from some of Kosovo's oldest irrigation systems, which run alongside the Drini River. Rahovec is the heart of vegetable and fruit production in Kosovo. As one travels farther up the hillsides, the earth becomes increasingly drier. There, the patchwork of green fields merge with row upon row of earth-toned vineyards. Indeed, Rahovec is primarily an agricultural municipality with nearly two-thirds of its 73,700 inhabitants spread across 35 villages.

In places the agricultural landscape is interrupted by newly constructed buildings, private houses, and recently privatized former socially owned enterprise (SOEs), which, for many Rahovecians, represent a new hope for a sound economic future. "All privatized enterprises in Rahovec are a positive change for this region, but also a big hope for the region's people," commented Rexhep Pista, owner of the privatized SOE *Ekoplast*. "Before privatization the wheel was turning backwards ... during privatization the wheel was not moving at all ... and now the wheel is moving forward, and that's a very good sign."

As of 2008, the privatization process was nearly completed. Six of the seven SOEs in Rahovec had been privatized. The first was *Osa Termosistemi*, a company producing cooling devices for commercial use and heat exchange. Former SOE *Spektri 18 Nentori* with its plastic factory, battery factory, and warehouse was next to be privatized in 2005. Former SOE *Ekoplast* (now named *NTP Pista*) was privatized in 2006 for plastic recycling and manufacturing. The same year, the old cellar *NBI Rahoveci* (now called *Bodrumi i Vjeter Haxhijaha*) was privatized along with the construction unit that was once part of the former SOE *I Maji*. *NTSH Podrima* remained the last one to be privatized. During the 1980s, the SOEs in Rahovec employed around 2,915 people. Now, after privatization, the employment rate was 69 percent lower in 2007; the six privatized enterprises employed 909 people.

Yet, most Rahovecians draw their hope for the future from the privatization of the two biggest companies: the flourmill M&Sillosi and winery *NBI Rahoveci*, now known as the Stone Castle Winery. Privatized in 2006 with renovated administrative buildings, working units, and new technology and equipment, they are the largest private employers in the region. Together these giant remnants of the socialist era comprised 69 percent of the total number of people employed by all privatized companies in the region, with 367 people at M&Sillosi and 257 at Stone Castle. They were privatized with a "special spin-off," or agreement, and the owners must fulfill their promises to invest a combined €24,887,564<sup>14</sup> and to employ a total of 608 people.<sup>15</sup> In 2007, they

<sup>14</sup> According to the "Special Spin-off," Stone Castle must invest €5,000,000 and M&Sillosi must invest €19,887,564.

<sup>15</sup> According to the agreement, Stone Castle must have 250 employees and M&Sillosi must have 358.

had gone above and beyond their promises, employing a total of 624 people put together. While progress has been made since the war, the companies have much work ahead to reach the number of people employed during the eighties: 1,750.

Public employment offers few jobs. Only 1,130 people in Rahovec municipality received salaries from the Government of Kosova in 2009.<sup>16</sup> Nearly 75 percent of positions are in the education sector alone. The town of Rahovec is little more than a long road lined by a few small shops and cafes.

With few jobs available in the public sector and only a handful of small businesses, mostly in the service sector, agriculture remains among the most plausible livelihoods for people in the area. An estimated 57,151 Rahovecians make their living from agriculture.<sup>17</sup> The municipal logo of Rahovec is a castle with a grapevine, and Grape Day has become an annual celebration. Every 7 September farmers display their grape products for experts, potential buyers, and institutional representatives to inspect and sample. Local wine producers have high hopes of recapturing a large share of European markets, reclaiming what was lost since the days of the former Yugoslavia, when life was rich and full. Indeed, for many citizens of Rahovec, grapevines are a reminder of their prior success under Yugoslavia as well as a symbol of hope for the region's economic future as a key player in European markets.

## WINE PRODUCTION IN RAHOVEC

While perusing the wine aisle in one's neighborhood grocery store in Prishtina, Kosova's capital city of an estimated 300,000<sup>18</sup> citizens, one cannot help but notice the numerous labels bearing the name "*Rahoveci*." A scan of the shelves shows only a handful of competitors to this region's wine, primarily from Montenegro, Macedonia, and Italy. A few dusty bottles of Gjakova's and Krushe e Vogel's wines remain on the shelves, remnants of the pre-nineties when production was last underway. What has made Rahovec more successful in wine production during the post-war period when compared to its counterparts? Perhaps it is the region's long history of wine production.

### The Land of Grapes

Agriculture and grapevine cultivation in particular have a long history in Rahovec. The first footprints of grape production can be found in Reti village.<sup>19</sup> There, the tomb of an ancient soldier is engraved with grapes and a wine jar.<sup>20</sup> Another aged exhibit from the region is a 400-liter jar called "*Tumba e Hamzageve*," now displayed in *Helvetica Teqe* (a small religious site) in the town of Rahovec. The jar was once used for wine, olive oil, and corn.

<sup>16</sup> IKS interview with Dervish Çadraku, Director of Directorate of Administration, Rahovec, 15 April 2009.

<sup>17</sup> SOK, *Agricultural Household Survey 2005*, Prishtina: SOK, August 2006, p. 16.

<sup>18</sup> IKS *Discussion Paper: Utopian Vision*, Prishtina, 2006.

<sup>19</sup> IKS interview with Dr. Bashkim Korenica, Professor at the Faculty of Agriculture, 14 March 2008.

<sup>20</sup> Yugoslav researchers Gavranic and Vuksanovic also wrote a publication entitled "Illyrian Clan Daros Cultivated Grapes Many Years Before the Romans Entered the Balkans" (study by the Institute of Peja "*Gjendja e vreshtarise - veretarise, Dje, Sot e Neser – Perspektiva*").

Evidence of vineyards in present-day Rahovec, then called the *Anadrini* area, was also documented by Pjeter Bogdani in 1630. However, overall grapevine cultivation and wine production dwindled under the Ottoman Empire with only a few vineyards developed around churches and monasteries.<sup>21</sup> The Balkan War and First World War caused further damage to Kosova's vineyards,<sup>22</sup> and a plant disease (*Filoksera vastitriks*) swept through Europe, including Kosova, devastating thousands of vineyards between 1913 and 1923.<sup>23</sup>

During the 1920s, extensive work was done to revive the wine industry in Kosova. In 1920, the first modern seed plot was established in Rahovec, and new American varieties were introduced in 1923.<sup>24</sup> By 1939 vineyards covered more than three thousand hectares of Kosova.<sup>25</sup> Then, in 1952, the first modern plantations and cellar were constructed in Prizren municipality.<sup>26</sup> Rahovec received its first cellar in 1953, now owned by the Haxhijaha Company.<sup>27</sup> In 1979, the second cellar was built as part of NBI *Rahoveci* (now known as the Stone Castle Winery). By 1980, Rahovec had the largest surface planted with grapes according to the cadastre record, with 1,063 hectares of socially owned and 1,920 hectares of privately owned vineyards, totaling 42 percent of the total surface area of vineyards in Kosova.<sup>28</sup> The wine industry employed an estimated 40 percent of the population in Rahovec.<sup>29</sup>

It was the socialist era, and the Yugoslav wine industry in Kosova sought to cater to the mass markets in Western Europe, thereby generating foreign currency.<sup>30</sup> Exports reached their peak in 1985 with 35 million liters exported to Germany by the Company Racke.<sup>31</sup> “The pride of all agriculture in Kosova during the 1980s was its vineyards and wine sector,” according to Nesim Morina, Chief of the Wine and Vineyards Institute in Rahovec. Exports reached their peak in 1989 with 40 million liters exported in bulk to Germany by train through the Racke Company.<sup>32</sup> Following these investments in the sector, Kosova had nearly nine thousand hectares of vineyards by 1990.<sup>33</sup>

<sup>21</sup> IKS interview with Nesim Morina, Chief of the Wine and Vineyards Institute in Rahovec, 28 March 2008.

<sup>22</sup> Yugoslav researchers Gavranij and Vuksanoviq also wrote a publication entitled “Illyrian Clan Daros Cultivated Grapes Many Years Before the Romans Entered the Balkans” (study by the Institute of Peja “*Gjendja e vreshtarise - veretarise, Dje, Sot e Nesar – Perspektiva*”)

<sup>23</sup> PISG, MAFRD, DPPP, Horticulture Section, Vineyard Unit, *Gjendja e vreshtarise dhe veretarise ne Kosovë, Historiku*, working document by Nesim Morina.

<sup>24</sup> PISG, MAFRD, DPPP, Horticulture Section, Vineyard Unit, *Gjendja e vreshtarise dhe veretarise ne Kosovë, Historiku*, working document by Nesim Morina.

<sup>25</sup> Interview with Nesim Morina, Chief of the Wine and Vineyards Institute in Rahovec.

<sup>26</sup> PISG, MAFRD, DPPP, Horticulture Section, Vineyard Unit, *Gjendja e vreshtarise dhe veretarise ne Kosovë, Historiku*, working document by Nesim Morina.

<sup>27</sup> IKS interview with Hysen Canziba, Ex-Director of Winery NBI *Rahoveci* (now Stone Castle), 1 February 2008.

<sup>28</sup> Cadastral book maintained by Peja Institute for 1980/1981.

<sup>29</sup> Chris Hartwell for Kosovo Cluster and Business Support Project Team of Chemonics International Inc. for USAID, “The State of the Wine Industry in Kosovo,” July 2006, p. 2.

<sup>30</sup> IKS interview with Afrim Kamishi, Project Officer, WBDP at Swisscontact (Field Office Gjakova), 3 March 2008.

<sup>31</sup> IKS interview with Nesim Morina, Chief of the Wine and Vineyards Institute in Rahovec, 28 March 2008.

<sup>32</sup> Chris Hartwell for Kosovo Cluster and Business Support Project Team of Chemonics International Inc. for USAID, “The State of the Wine Industry in Kosovo,” July 2006, p. 2 and IKS interview with Nesim Morina.

<sup>33</sup> PISG, MAFRD, DPPP, Horticulture Section, Vineyard Unit, *Gjendja e vreshtarise dhe veretarise ne Kosovë, Historiku*, working document by Nesim Morina, pg. 2.

Sadly, similar to other SOEs throughout Kosova, Rahovec's factories fell into decline during the 1990s due to the larger political-economic situation. Serbia was under a trade embargo and could no longer sell products internationally. By the nineties, the four big factories in Gjakova, Rahovec, Suha Reka, and Krusa e Vogel were unable to produce wine at an economic profit.<sup>34</sup> Even so, local farmers struggled to keep their businesses alive, organizing the first ever scientific symposium on "Vineyards and Wines in Kosova" in Rahovec in 1997.<sup>35</sup>

After a decade of underinvestment followed by the destruction of the 1999 war, approximately half the cultivation area was destroyed, and wine factories were barely operational, if at all. While 8,926 hectares of vineyards existed in 1990,<sup>36</sup> only 3,447 hectares remained in 2001.<sup>37</sup> By 2004, it had risen to only 4,944 hectares, approximately 63 percent of which was privately owned.<sup>38</sup> The wine sector has yet to recover fully, existing largely as a number of family-run wineries that produce wine on a small scale, mostly for regional markets.<sup>39</sup>

Revitalization of the wine industry began with the privatization process. Kosovar Albanian American Harry Bajraktari returned to Kosova to purchase the new cellar of SOE *NBI Rahoveci* together with Rustem Gecaj in 2006. It was the highest selling SOE in Rahovec with a price tag of €4,302,900. They have since transformed it into Stone Castle Vineyards & Winery. The owners have invested four million euros to get the company on its feet, nearing the promised five million in investments. The administrative building, new vineyards, new laboratory, and bottling units are among the investments made to date. The company is well on its way to renewing Rahovec's reputation and strengthening Kosova's image in the European wine market.

The company has invested in marketing and introduced new labels for its bottled wines in hopes of entering international markets, particularly Europe and the United States.<sup>40</sup> Stone Castle produces Merlot, Chardonnay, Pinot, and Game wines, among others. It is also the only Kosovar winery presently growing Cabernet<sup>41</sup> grapes in its vineyards.<sup>42</sup>

Stone Castle Vineyards & Winery is one of the largest privately owned wineries in Europe with the capacity to store up to 50 million liters in stainless steel containers and five million liters in oak barrels. At present, the winery's actual production capacity is seven million liters per year. The company is located on a 5.6 hectare estate in Bernjake village with 513 hectares of active

<sup>34</sup> IKS interview with Afrim Kamishi, Project Officer, WBDP at Swisscontact (Field Office Gjakova), 3 March 2008.

<sup>35</sup> ALBANEWS archives, June 1997, Prishtina, accessed in May 2008. As a leader in Kosova's wine sector, Rahovec was often chosen as the location for this event.

<sup>36</sup> PISG, MAFRD, DPPP, Horticulture Section, Vineyard Unit, *Gjendja e vreshtarise dhe veretarise ne Kosovë, Historiku*, working document by Nesim Morina, pg. 2.

<sup>37</sup> Department of Plant Production and Protection, Municipal Directorate of Agriculture.

<sup>38</sup> MAFRD, "The Kosova Greenbook: A strategy for sustainable agricultural and rural development in Kosova," May 2003, Prishtina, Kosova, pg. 31.

<sup>39</sup> IKS interview with Afrim Kamishi, Project Officer, WBDP at Swisscontact (Field Office Gjakova), 3 March 2008.

<sup>40</sup> IKS interview with Shani Hoxha, Sales Manager, Stone Castle, 1 February 2008.

<sup>41</sup> Is one of the world's most widely recognized red wine grape varieties. It is grown in nearly every major wine producing country among a diverse spectrum of climates from Canada's Okanagan Valley to Lebanon's Beqaa Valley

<sup>42</sup> IKS interview with Ibrahim Berisha, Head of the Vineyards Working Units, Stone Castle Winery, 1 February 2008.

vineyards. It employs 257 workers, more than the initial promise of 250 in their privatization bid, and plans are under way to expand in the next few years.<sup>43</sup> During the harvest period, the number of employees may rise as high as 700. However, this pales when compared to the 935 or so people employed there in 1982.<sup>44</sup> Most workers are veterans in the industry, working there since the socialist days of NBI *Rahoveci*.

For example, Ibrahim Berisha, Head of the Vineyards Working Units, has worked at the winery since 1983.<sup>45</sup> Until 1990, former NBI *Rahoveci* had over 1000 hectares of vineyards, sophisticated technology, and very good working conditions, he said. “The overall situation was good and the quantity of production was higher,” he recalled. “The employees had high salaries (around 1000 deutsche marks) and were paid regularly.” Although Stone Castle now has half the active vineyards (513 ha), he said that the possibility for building more than 1000 hectares of new vineyards was there. The winery also continues to purchase grapes from other smaller, family grape growers. As Table 1 illustrates, most of the licensed wineries in Kosova are purchasing much of their grapes from local farmers, an estimated 1,706.5 hectares per year. Thus, in addition to their own employees, the larger wineries like Stone Castle are supporting many smaller family grape growing businesses in the region.

Although Stone Castle is by far the largest winery, five other private wineries are licensed in Rahovec municipality (see Table 1): *Bodrumi i Vjeter* (which produced two million liters of wine in 2007), *Eko* (75,000 liters), *Shpk. Rahoveci* (100,000), *Rahvera* (15,000), and *Biopak* (15,800). Together, these six wineries produced upwards of ten million liters of wine in 2007.

**Table 1. Licensed Wineries in Rahovec**

	Winery	Owner	Location	Active Owned Vineyards (ha)	Suppliers' Vineyards (ha) <sup>46</sup>	Wine Production in 2007 (l)
1	Stone Castle	Harri Bajraktari & Rrustem Gecaj <sup>47</sup>	Bernjake village	513.0	1143	7,000,000
2	Bodrumi i Vjeter (Haxhijaha winery)	Halim, Ruzhdi, & Nevzat Haxhijaha	Rahovec town	2.3	526	2,000,000
3	EKO	Bekim & Muje Hoxha	Rahovec town	6.8	10	75,000
4	Shpk. Rahoveci	Ismet Vehapi	Rahovec town	.5	26	100,000
5	Rahvera	Bajram Hajrullaga	Rahovec town	2.5	0.5	15,000
6	Biopak	Nysret Haxhimurati	Rahovec town	4.0	1	15,800
<b>Total</b>				<b>526.8</b>	<b>1,706.5</b>	<b>9,205,800</b>

The Haxhijaha Winery, better known by its label, “*Bodrumi i Vjeter*” (the Old Cellar), came out of the 2006 privatization process as one component of the former NBI *Rahoveci*: the Old Cellar built in the centre of Rahovec in 1953, initially as one section of the old agricultural combine,

<sup>43</sup> IKS interview with Ibrahim Berisha, Head of the Vineyards Working Units, Stone Castle Winery, 1 February 2008.

<sup>44</sup> IKS interview with Hysen Canziba, Ex-Director of NBI *Rahoveci*, 1 February 2008.

<sup>45</sup> IKS interview with Ibrahim Berisha, Head of the Vineyards Working Units, Stone Castle Winery, 1 February 2008.

<sup>46</sup> This was calculated by IKS based on the numbers provided by the Master Plan. Please consult the example of Bekim Hoxha. His yields may be higher than others.

<sup>47</sup> IKS interview with Ibrahim Berisha, Head of Vineyards Working Unit, Stone Castle, February 2008.

“Kosova Vera.”<sup>48</sup> Today Haxhijaha is a family-run business, led by three brothers. Following privatization, the cellar was in extremely poor condition. Any of the equipment that remained there and functioned was left over from the 1950s. The Haxhijaha family has invested in new technologies from France and Italy, boosting the wine production capacity to approximately five million liters, though the winery is presently producing at only 30 to 40 percent of its capacity.

Unlike Stone Castle, Haxhijaha Winery purchases all grapes, more than a million kilograms per year, from private farmers. Thus, while the winery only employed 16 people in 2008, it supported many other families producing grapes in the region. In 2006, the winery purchased more than a million kilograms of grapes from farmers, including varieties such as Rhine Riesling, Italian Riesling, Chardonnay, Merlot, Vranac, Game, Pinot Noir, and Cabernet Sauvignon. Though the owners did have plans to purchase and cultivate around 200 hectares of vineyards in the near future.

At present Haxhijaha Winery sells bottled wine to all major chain stores in Kosova under the “*Bodrumi i Vjeter*” label. Further, it exports in bulk to Serbia and Croatia and was in the process of negotiating contracts with Croatia and Switzerland for the export of bottled wines as well.

The family of Bekim Hoxha, producers of wine bearing the Eko label, has a long tradition of tending vineyards. Previously, the family had around 120 hectares of vineyards owned by three brothers: Avdyl, Zeqir, and Avdi. In 1969 the extended Hoxha family separated into nuclear family units, and their land was divided in three parcels. Over the years their families matured, and the land was divided again. Today, the family of Bekim Hoxha, the nephew of Avdyl Hoxha, continues to work in the vineyards. He and his two brothers reside together in a house with their families in Rahovec town.

Currently the family has 6.8 hectares of active vineyards, from which they yield approximately 45,400 kilograms of grapes per year. The types of grapes cultivated include Riesling, Cabernet, Merlot, Prokupac, Game, and Shiraz. They purchase an additional 40,000 or so kilograms of various grapes from private farmers. At present, Eko has four full-time employees and 21 seasonal workers. “It’s not easy to work in wine production,” Bekim said. “Sometimes all family members must stay 48 hours without sleeping, just to carry out the wine production process; only our soul knows how hard it is to work here.” Even so, he quoted the Croatian proverb, “Wine is the soul, food is the body,” explaining that during busy September his friends join him at the winery for wine, meat, and good food. “So it’s easily to stay and work overnight [with the] magic of wine,” he added.

The grapes are processed in the Hoxha family’s wine cellar, located on the back side of their house, resulting in around 75,000 liters of wine per year. The final product, Eko wines, are displayed on a shelf in their cellar, featured among the electronic bottling equipment and wood

---

<sup>48</sup> Information about Haxhijaha Winery from IKS interview with Halim Haxhijaha, co-owner of Haxhijaha Winery, 12 March 2008.

and metal barrels of various sizes. A barrel with wine glasses awaits potential customers who might stop by to inspect the operation and sample some wine.

In addition to an investment of 300,000 Deutsche Marks (DM) from the Hoxha family, the establishment of the cellar in 2002 was supported technically and financially by Swisscontact with funding from the Swiss Agency for Development and Cooperation (SDC).<sup>49</sup> In 2003, the family received a grant of €6,000 to purchase equipment for wine making, such as tanks, barrels and crushers. An additional grant of €800 was given for the purchase of laboratory equipment. Swisscontact aimed to transform Eko from a family domestic production business into a successful small enterprise.<sup>50</sup>

Following the Swiss investments in equipment and branding, the Hoxha family wine business began to thrive. It expanded production and started marketing high quality wine under the brand label Eko. In view of this success Swisscontact invested another €3,000 to launch an advertising campaign for Eko. Swisscontact hired a Swiss graphic designer and invested €3,000 in the marketing strategy involving billboards, as well as television, radio, and newspaper advertisements. In 2004, one of Swisscontact's wine experts, Mr. Hans-Ulrich Kesslering, secured Eko's Syrah a place in London's wine competition where it won a gold medal as an anonymous wine.

Despite its success in London, Eko is still only sold on the Kosova market, primarily through chain stores and restaurants. Recently the company made an agreement with the Government of Austria to begin exports with an initial 1,600 packages of bottled wine. They also recently opened a marketing branch in Tirana, Albania. Since Kosova's Declaration of Independence, many foreigners have visited Eko's winery and negotiations have begun. In hopes that some of the deals will go through, the Hoxha family has already begun constructing four hectares of new vineyards to increase their production.

The refusals Eko management once received from potential foreign customers are a fast fading memory. "When we first opened Eko winery, we had many problems with people ignoring or refusing our invitations and products. I felt so bad. I wondered when we would see a return on all the money we invested in vineyards and wine production," Bekim recalled. "But I remember an American who once visited our winery. He said, 'You must wait five years, and then you will be successful.' Now, finally, our time has come."

### **A Passion for Wine or a Means for Subsistence**

The wine sector in Kosova is overseen by the Ministry of Agriculture, Forestry and Rural Development (MAFRD), established in 2001. Aside from the 10 wine producers licensed and thus monitored by the MAFRD in 2006, six of which are in Rahovec, no known list exists of

---

<sup>49</sup> IKS interview with Afrim Kamishi, Project Officer WBDP at Swisscontact (Field Office Gjakova), 3 March 2008.

<sup>50</sup> IKS interview with Afrim Kamishi, Project Officer WBDP at Swisscontact (Field Office Gjakova), 3 March 2008.

other cultivators or wine producers in Kosova.<sup>51</sup> Nevertheless, an estimated 200 unregistered wine producers sell their products informally, according to Dr. Bashkim Korenica, a professor at the Faculty of Agriculture at the University of Prishtina.<sup>52</sup> Evidence of unregistered family businesses exists in restaurants where guests ask for “*venë të shtëpisë*” (the wine of the house). Among the cheapest wines sold by restaurants, it is usually sold in barrels or other high capacity containers. Since the wine is sold unofficially and no tax is paid, the wine is not present in any official records regarding wine consumption in Kosova. Only exported wine and bottled wine are officially registered.

Dozens of small, unregistered family-run vineyards are scattered across Rahovec municipality. “Rahovec is the heart of vineyards and wine production,” commented Sedat Kuqi, former director of NBI Suhareka winery in Prizren municipality. Most families in Rahovec region cultivate vineyards and produce wine. “It’s more than work, it’s their passion,” he added.

Zeki Musa’s<sup>53</sup> family owns one of these unregistered wineries in Rahovec. His wife, Arta, is a tailor who earns fairly little. Zeki’s salary as a municipal employee, a mere €150 per month, is insufficient for feeding his six-member family. He started their wine processing business four years ago to make ends meet. He does not own a vineyard, so he buys about 30,000 kilograms of grapes from farmers each year at €0.30 per kilo. Then he produces ten to fifteen thousand liters of Vranac wine and sells it in plastic bottles for €1 per liter. He produces Raki as well, albeit in smaller amounts. On average, two kilograms of Vranac grapes yields one liter of wine, and the plastic bottles cost €0.11 each. “So,” he smiled, “You do the math.” If his family sold all 15,000 liters, without considering any costs except bottles and grapes, their profit would be about €4,350 per year.

Zeki usually sells all his wine by March. Considering that processing is done in autumn, this is fairly quick. Most customers visit his house to buy the wine. He has not registered the business yet since he does not have much profit and still needs to buy equipment, he said. He estimated that jump-starting his small business would require approximately €20,000 in investments, not including vineyards. However, the wine processing business was a lot of work, he said, requiring assistance from everyone in the household. He would not do it if it were not necessary for his family’s survival, he said.

Zeki and his family are not alone; many families in the region run similar operations. In the autumn, it is not hard to find the people of Rahovec selling their red and white grapes along both sides of the road. The Government of Kosova, according to the Chief of the Wine and Vineyards Institute, Nesim Morina, wants to promote this sector not only because of the potential Kosova

---

<sup>51</sup> IKS interview with Nesim Morina. The six licensed wine producers in Rahovec are Stone Castle, EKO, SHPK Rahoveci, Haxhijaha, Biopak, and Rahvera. The other four registered wineries are Ereniku 1 and Ereniku 2 in Gjakova, Kosovavera in Prizren, and Agrokosova Holding in Suhareka. The registration of wine producers began in 2006.

<sup>52</sup> IKS interview with Bashkim Korenica, 14 March 2008.

<sup>53</sup> Note: the real names are not disclosed in this section.

has for wine and grape production, but also due to the impact the sector has on families. “Grape production and wine especially generates income for a lot of families,” he said.<sup>54</sup>

## Real Prospects for Growth

**Table 2. Countries Exporting Wine to Kosova in 2007**

Country	Percent of Kosova's Imported Wine
Montenegro	62%
Italy	11%
Macedonia	10%
Slovenia	5%
Serbia	4%
Spain	3%
France	1%
Bulgaria	1%
Croatia	1%
Switzerland	1%
Australia	1%
Mexico	<1%
Austria	<1%
Holland	<1%
Portugal	<1%
Germany	<1%
Chili	<1%
Greece	<1%
Ireland	<1%
Great Britain	<1%
Argentina	<1%

Of the 4,928 hectares of vineyards in Kosova, 82 percent are used for wine grapes.<sup>55</sup> With an average yield of 7.5 tons per hectare,<sup>56</sup> up to 30,285 tons of wine grapes could be produced annually with the current capacities. This would amount to approximately 18 million liters of wine. The actual production is estimated at 25,033 tons (approximately 15 million liters).<sup>57</sup> Stone Castle Winery alone has the capacity to store up to 50 million liters.<sup>58</sup>

In addition to locally produced wines, more than 20 countries are exporting wine to Kosova. In 2007, wine imports totaled only approximately 500,000 liters.<sup>59</sup> As Table 2 illustrates, the countries exporting the most wine to Kosova in 2007 include: Montenegro (comprising 62% of imports), Italy (11%), Macedonia (10%), Slovenia (5%), Serbia (4%), and Spain (3%). Kosova also imported wine from Spain, France, Bulgaria, Croatia, Switzerland, Australia, Mexico,

<sup>54</sup> IKS interview on 28 March 2008.

<sup>55</sup> Agricultural Master Plan for Kosovo (AMPK), project financed by the European Agency for Reconstruction (EAR), 2006

<sup>56</sup> Agricultural Master Plan for Kosovo (AMPK), project financed by the European Agency for Reconstruction (EAR), 2006; 6.3t private and 8.7t industrial.

<sup>57</sup> Agricultural Master Plan for Kosovo (AMPK), project financed by the European Agency for Reconstruction (EAR), 2006; 0.6 liters yield from one kilogram of grapes.

<sup>58</sup> IKS interview with Fejzullah Berisha and Rrahman Kabashi, 1 February 2008, Rahovec.

<sup>59</sup> IKS email correspondence with Nesim Morina, *Gjendja e Vreshtarise ne vitin 2009*, July 2009.

Austria, Holland, Portugal, Germany, Chili, Greece, Ireland, Great Britain, and Argentina. Monetarily, Kosova imports the most from Montenegro, which makes up approximately 45 percent of the total value of imports. Italy and Macedonia share some 30 percent of imports and Slovenia about six percent. The Euro value proportion largely corresponds to the amount of wine distributed.<sup>60</sup>

The overall amount of wine imported to Kosova has had only slight fluctuations in the last few years, with an overall three percent decline from 2005 to 2007. Interestingly, though, the price of imported wine has increased (see Table 3. Trends in Wine Imported to Kosova).<sup>61</sup> The average price per liter of imported wine has risen by 55 percent since 2005. As a result, the total Euro value spent on imported wines increased by 50 percent. Clearly, Kosova is importing more expensive wines.

**Table 3. Trends in Wine Imported to Kosova, 2005-2007**

Year	Imports (in liters)	% change	Average import price per liter	% change	Imports (in Euros)	% change
2005	927,952	100%	€ 2.06	100%	€ 1,913,161	100%
2006	1,014,144	109%	€ 2.79	135%	€ 2,832,188	148%
2007	897,131	97%	€ 3.20	155%	€ 2,871,325	150%
<b>Average</b>	946,409		€ 2.68		€ 2,538,891	

So where's the market; who is drinking this wine?

The MAFRD Master Plan estimates Kosova's per capita consumption of wine at 6.5 liters per year,<sup>62</sup> or 13 million liters of wine.<sup>63</sup> However, experts such as Nesim Morina have estimated that Kosovars only drink on average 2.2 liters per person per year.<sup>64</sup>

The 2005-2007 average annual exports were 4.5 million, and imports were 0.95 million, of which 130,000 liters is local wine from registered, taxpaying wine producers. Of the 15 million liters produced locally, the MAFRD Master Plan estimates that half, or 7.5 million, is produced informally in homes. Even if all this home-produced wine is sold and consumed in the black market and imports are 0.95 million, the total local wine consumption would still not exceed 8.5 million liters, or 4.25 liters per capita.<sup>65</sup> Thus, Kosova has among the lowest wine consumption rates in the region. Only Albania with 3.35 and Bosnia and Herzegovina with 1.78 liters per capita trail behind.<sup>66</sup> In comparison, average wine consumption in the EU is more than 33 liters

<sup>60</sup> IKS email correspondence with Nesim Morina, *Gjendja e Vreshtarise ne vitin 2009*, July 2009.

<sup>61</sup> UNMIK Customs import-export data 2005-2007.

<sup>62</sup> Agricultural Master Plan for Kosovo (AMPK), project financed by the European Agency for Reconstruction (EAR), 2006, pg. 31.

<sup>63</sup> Kosova's population is estimated at two million.

<sup>64</sup> IKS email correspondence with Nesim Morina, July 2009, pg. 8.

<sup>65</sup> The overall consumption of wine in Kosova has been estimated at two million liters per year (IKS interview with Ylber Bajraktari, Wine Officer, MAFRD, Institute of Winery and Vineyards, Rahovec, 28 January 2008).

<sup>66</sup> In 2005, other countries in the region consumed the following liters per capita: Slovenia – 43.77, Croatia – 42.27, Greece – 22.92, Bulgaria 18.96, and Macedonia – 10.24. From Trade Data and Analysis (TDA).

per capita.<sup>67</sup> Consumption of local wine has decreased as well; more than 168,000 liters of Kosovar wine were consumed in 2005 compared to only 93,000 liters in 2007.<sup>68</sup>

With only two million inhabitants and approximately 45 percent of the population living in poverty,<sup>69</sup> wine remains a luxury that only a few can afford. As a local restaurant owner from Rahovec commented, “Stone Castle is a very qualitative wine, but it is expensive for Kosovar people compared to the incomes that the majority earn.”<sup>70</sup> Thus, Rahovec’s six registered wineries alone produce more than four times the amount of wine that Kosova’s citizens can consume in a given year. With such a small local wine market, the future of Kosova’s wine industry depends largely on exports.

### On to Europe and Then the World

Although over the last three years there was a positive balance of trade in wine liters, there was a deficit of trade in Euro value (See Table 4. Kosova’s Exports from 2005 to 2007). The average annual exports of 4.5 million liters surpassed the imports of roughly 0.95 million liters. However, on average €2.5 million was paid for imports and only €1.7 million was received for exports. The difference in price is due to the fact that Kosova mostly exports low quality wine in bulk but imports bottled quality wines. Imported wines, averaging €2.68 per liter, are more than seven times the price of their Kosova counterparts being exported, which cost only €0.38 per liter.<sup>71</sup>

*Table 4. Kosova’s Exports from 2005 to 2007<sup>72</sup>*

Year	Exports (in liters)	% change	Average export price per liter	% change	Exports (in Euros)	% change
2005	3,999,418	100%	€ 0.39	100%	€ 1,569,553	100%
2006	4,075,753	102%	€ 0.41	105%	€ 1,684,870	107%
2007	5,590,254	140%	€ 0.33	83%	€ 1,831,179	117%

<sup>67</sup> EC Directorate General for Agriculture and Rural Development, “Working Paper: Wine: Economy of the Sector,” February 2006, p. 12, at: [http://ec.europa.eu/agriculture/markets/wine/studies/rep\\_econ2006\\_en.pdf](http://ec.europa.eu/agriculture/markets/wine/studies/rep_econ2006_en.pdf), accessed 5 June 2009.

<sup>68</sup> IKS email correspondence with Nesim Morina, *Gjendja e Vreshtarise ne vitin 2009*, July 2009.

<sup>69</sup> Republic of Kosovo, Ministry of Public Administration, Statistical Office of Kosovo; see: [www.ks-gov.net/esk/eng](http://www.ks-gov.net/esk/eng)

<sup>70</sup> IKS interview 14 February 2008, Rahovec.

<sup>71</sup> In 2007, imported wine cost on average 2,150 Euros per ton while exported wine sold for only 430 Euros per ton (Customs Service, 2007, cited by Nesim Morina in correspondence with IKS, July 2009, p. 7).

<sup>72</sup> UNMIK Customs, 2005-2007, import and export raw data. The new Kosova customs authorities would not provide the most recent import and export data when requested by IKS in June 2009.

The import of higher price point wines may be due in part to the large international military and civilian presence in Kosova. The hundreds of internationals residing in Kosova have salaries enabling them to afford wines that are unaffordable for most of the local population. However, international wines may also be preferable for Kosova's small elite class. "In Kosova most people prefer and love everything that's from abroad, thinking that its better than our own products," said Halim Haxhijaha, an owner of Haxhijaha winery. "We need more economic nationalism, that is, consuming more local products."<sup>74</sup> Haxhijaha winery was also in negotiations with Croatia and Switzerland to start exports, and the Italian owners of AgroKosova Holding planned to export to England, Russia, and the U.S.<sup>75</sup>

In any case, as Table 3 illustrates, Kosova has shown a drastic (140 percent in liters and 117 percent in Euros) increase in its exports between 2005 and 2007. At present, Kosova's exports are concentrated in the Central European Free Trade Agreement (CEFTA) region.<sup>76</sup> In 2007, Kosova exported 5,400 tons of wine, primarily to Serbia (57% of exports) and Germany (35%). As Table 5 shows, Kosova also exported wine to Austria, Croatia, Macedonia, Jamaica, Ireland, and Albania.

*Table 5. Kosova's Exports by Country in 2007<sup>73</sup>*

Country	Percent of Kosova's Exports
Serbia	57%
Germany	35%
Austria	4%
Croatia	2%
Macedonia	1%
Jamaica	1%
Ireland	< 1%
Albania	< 1%

Germany tends to purchase higher priced wine, with a fixed amount of €0.48 per liter, in comparison to the €0.22 to €0.29 per liter paid by Serbia.

A positive future for exporting wine to Albania may lay in store, according to Bajram Hajrullaha from Rahvera winery.<sup>77</sup> "They are good consumers of wine, and they have only a few wineries," he said. In 2003, after 15 days research in Albania, Bajram identified only one winery there; around 80 percent of the wines served in Albania's cafes and restaurants are from abroad, he said. Indeed, in 2005, Albania produced a meager 100 hectoliters of wine.<sup>78</sup> Further, Albania may have a growing tourist industry with its long mountainous coastline touching the deep, blue waters of two seas. Market research may prove useful for identifying ways to expand profitably into this neighboring country.

But many producers had high hopes of expanding into EU markets and even beyond. "We have the quality of wine that the world wants now," commented Shani Hoxha, Sales Manager of Stone Castle. He believed their high quality wines would do well in Europe. "We need to return the lost

<sup>73</sup> "Eksporti i veres 2007" (Wine Exports 2007), Customs Service of Kosova, cited by Nesim Morina in correspondence with IKS.

<sup>74</sup> IKS interview with Halim Haxhijaha, co-owner, Haxhijaha winery, 12 March 2008.

<sup>75</sup> *Ibid.*

<sup>76</sup> CEFTA includes Albania, Bosnia and Herzegovina, Croatia, Macedonia, Moldova, Montenegro, Serbia, and Kosova (Kosova Chamber of Commerce publication on CEFTA, 2007). Prior parties, including Bulgaria, the Czech Republic, Hungary, Poland, Romania, Slovakia, and Slovenia, discontinued their participation when they joined the EU.

<sup>77</sup> IKS interview, 11 February 2008.

<sup>78</sup> Trade Data and Analysis (TDA), at: <http://www.wineinstitute.org/files/WorldWineProductionbyCountry.pdf>, accessed 27 May 2009.

market,” Haxhijaha agreed, “by improving quality, marketing, and nice bottling.” He said that this would prove challenging due to the current wine surplus in western countries. It is difficult to find a niche in the international market, he said.

Entering EU markets should be Kosova’s ultimate goal. In 2004, the EU imported 11.6 million hectoliters with some of the main suppliers, including Australia, Chile, USA, South Africa, Argentina, Eastern Europe, and Mediterranean countries.<sup>79</sup> The U.S. alone reported that more than 60 percent of its own exports went to the EU in 2007.<sup>80</sup>

So far, Kosova exported more than seven million liters of wine to Germany, Serbia, Albania and Macedonia, from 2005 to 2007, amounting to more than €5 million in sales.<sup>81</sup> In the last two years, more than 60 percent of Kosova’s wine exports were destined to EU countries (mostly Germany),<sup>82</sup> indicating that there is also a demand for Kosovar producers to be allowed into EU markets.

## EN ROUTE TO BRUSSELS

More than a year after the Declaration of Independence, Kosova has yet to be recognized by all EU members. Even though it is a developing country, Kosova must abide by all EU regulations if it wants to enter EU markets. Kosovar authorities are responsible for regulating the wine sector internally, so that wine can move freely externally, including within the EU. Equally important to internal regulation is external liaison. For trade to be possible, Kosova’s authorities need to coordinate with the relevant EU bodies.

The first missing link to Kosova entering EU markets is that Kosova has yet to be recognized by all EU members. Therefore Kosova cannot establish relations with the EU; it must rely on bilateral agreements with individual member states. In this sense, the fate of Kosova’s exports lies with the Ministry of Foreign Affairs as much as the Ministry of Agriculture.

A second problem lies within Kosova’s administration; wine production is virtually unregulated. The primary legislation, the Law on Wine enacted in late 2005,<sup>83</sup> is simple enough and conforms with EU regulations. What is missing is the implementation, followed by the secondary legislation. The Department of Plant Production and Protection within MAFRD, established in 2001, is responsible for pushing forward the process of drafting new legislation related to vineyards and winery. However, of the 12 envisioned administrative directions to be issued in

<sup>79</sup> EC Directorate General for Agriculture and Rural Development, “Working Paper: Wine: Economy of the Sector,” February 2006, p. 59

<sup>80</sup> Bureau of the Census, DOC in Shari Kosco, Foreign Agricultural Service, “The U.S. and World Wine Situation,” OGA/ISA/SCFB, May 2008. Available at: <http://www.fas.usda.gov/htp/2008%20Wine%20Charts.pdf>, accessed 27 May 2009.

<sup>81</sup> UNMIK Customs, 2005-2007, import and export raw data. In 2007, Kosova also exported 258 tons of fresh grapes to Montenegro, Germany, and Albania (Customs Services, 2007, cited by Nesim Morina in email correspondence with IKS, July 2009).

<sup>82</sup> *Ibid.*

<sup>83</sup> Law No. 02/L-8 on Wine and UNMIK Regulation 2005/47 on the promulgation of the Wine Law adopted by the Assembly of Kosova. The Law was approved following consultations with wine experts, including experts from Rahovec (IKS interview with Avdullah Kryeziu, Ex-Director of Agricultural Division within the Municipality of Rahovec, 15 January 2008).

accordance with the Law on Wine, only three had been approved by the end of 2008.<sup>84</sup> This hampered the full implementation of the Law.<sup>85</sup>

As a result, great confusion exists regarding responsibilities and accountability among institutions. Legal gaps exist in regards to the competencies held by municipalities and by other governmental institutions. For example, the municipal phytosanitar inspectors continue to use the old 1983 law in the absence of a new Law on Agricultural Inspection.<sup>86</sup> The new laws on artificial fertilizers, pesticides, planting material, seeds, and wine include tasks related to inspection, but not in relation to agriculture.<sup>87</sup> Further, they do not clarify the role of the government structures and those of the municipalities. In the old 1983 Law on Agricultural Inspection, relationships were clearer; governmental phytosanitar inspectors dealt with major issues while municipal inspectors dealt only with local issues and then reported to the government. Today, unclear responsibilities contribute to confusion, such as municipal and national inspectors visiting the same company only days apart. “This creates confusion for the company leaders,” said Besa Krasniqi, acting Chief of the Phytosanitar Inspector. Although she cooperated well with the municipal inspector, she felt that their relationship should be regulated by law. As a result, in 2008 they were applying the 1983 Law on Agricultural Inspection, which was very detailed and professional, according to Krasniqi.

Further confusion exists regarding quality control of wine products.

Near the bus station in Prizren city in an old one-floor building is the regional office of MAFRD. Near the entrance is the Office of the Phytosanitary Inspectors, a service under the Department of Plant Protection and Production with nine inspectors throughout Kosova.<sup>88</sup> Only two inspectors are responsible for the entire region of Prizren, including producers in five municipalities: Prizren, Rahovec, Suhareka, Malisheva, and Dragash. Inspectors are responsible for controlling all agricultural producers of food materials, plants, and non-alcoholic and alcoholic beverages, including the quality of seeds and artificial fertilizers.<sup>89</sup>

Phytosanitary Inspectors are important actors in the wine and vineyard sector. They control the quality of wine produced by wineries with licenses from MAFRD and take samples of wine every year. Importantly, they also issue the phytosanitary certification for exporting agricultural

---

<sup>84</sup> IKS interview with Nesim Morina. The administrative directions approved are on: appointing the authorized institution for conducting analyses, research, and evaluation of wines in Kosova (No. 2003/02); for the registration and licensing of the cultivators of grapes, producers, and processors of wine (MA-No. 06/2006); for determining the criteria for sampling and assessing wine (MA-No. 11/2006); on internal and external registers of the production companies, grape, wine and other production by grape and wine (No.24/2008). The administrative instruction on the role and mandate of the Kosova Institute of Agriculture (No. 2003/3) is also important for regulating the wine industry. MAFRD Decision 04/2007 was to establish the Institute of Wine and Vineyards in Rahovec, based on the article 4 of the Wine Law.

<sup>85</sup> IKS interview with Nesim Morina, 28 March 2008.

<sup>86</sup> IKS interview with Besa Krasniqi, Acting Chief of the Phytosanitary Inspector, MAFRD, Municipality of Prizren, 2 April 2008.

<sup>87</sup> See Law 2003/10 on Artificial Fertilizers, Article 6; Law 2003/20 on Pesticides, Section 17; Law 2004/13 on Planting Material, Article 20; Law 2003/4 on Seeds; and Law on Wine, 20L-8, Article 45-6.

<sup>88</sup> IKS interview with Besa Krasniqi, Acting Chief of the Phytosanitary Inspector, MAFRD, Municipality of Prizren, 2 April 2008.

<sup>89</sup> IKS interview with Besa Krasniqi, 2 April 2008.

goods, including wine. They cooperate with the Agricultural Institute of Peja, to which they send samples. Based on the chemical analysis, they issue a phytosanitary certificate.

Inspectors are then responsible for explaining any later identified problems with products that they had approved. To date, no mistakes have been made. However, they once had a problem with wine exported to Germany. One of the seven cisterns that had been controlled was found to have traces of oil inside after reaching Germany. The Ministry formed a commission of nine members to identify the reason why. The Commission proved based on prior tests that the oil was a mistake of the company responsible for transport.<sup>90</sup>

According to the Wine Law, inspectors are also authorized where deemed necessary to order the destruction of wine stock, block the sale of products, confiscate defective products, order the reclassification of wine to lower grades, discontinue activity at the winemaking premises, and prohibit the import or export of goods failing to meet set criteria.<sup>91</sup> In accordance with the Wine Law, an “appropriate inspector” must prevent the placement of low quality wine on the market. However, at present the wine inspector is one of the phytosanitary inspectors who deals with other food products as well. Kosova needs an inspector focused on vineyards and the wine sector because the general inspector cannot cover all sectors, according to Morina.<sup>92</sup>

Another gap in the process is the control of homemade wine and Raki sold informally by unregistered farming operations. Inspectors have difficulties finding them. Krasniqi proposed to her superiors that a decision be taken allowing inspectors to examine the wine served at hotels and restaurants which often comes from private family producers. In this way, inspectors could identify where the illegal producers are located.

As of 2008, the Office faced additional challenges. They did not have their own budget, and their dilapidated vehicles could rarely transport them to locations for inspection. The office was equipped with computers, but lacked internet and telephones. According to Krasniqi, these issues made their work very challenging, especially since they were required to spend most of their time in the field.

When they were able to carry out their responsibilities, the job was often stressful and sometimes dangerous, she said. “Nobody can imagine what it is like to work as an inspector. You must play three roles: a psychologist, politician, and professional,” she elaborated. “Fortunately I’m still not married because it is very hard [work]. Sometimes the police call you in the evenings ... or during the weekends companies want to export goods [and] you must provide this service. There is no compensation for work on weekends.” Although safety precautions have been taken and the situation has improved, she said their job remains dangerous as well. “The situation now when compared with that of 1999 is like day and night. [I]n that time people had guns and it was very

---

<sup>90</sup> IKS interview with Besa Krasniqi, 2 April 2008.

<sup>91</sup> Wine Law, 20L-8, Article 46.2.

<sup>92</sup> IKS interview with Nesim Morina, 28 March 2008.

dangerous to go and sequester goods, for example ... or even to ask for documents,” Krasniqi recalled.

After the analytic analyses are carried out, every year MAFRD must create a Commission with at least five members to determine the quality of the wine, otherwise known as an organoleptic (degustation) analysis. The composition of the commission changes each year. While the members of the commission are qualified agronomists with experience in the wine sector or trained in enology,<sup>93</sup> they are not certified enologists, which is a requirement of the commission in the EU. The Institute sends a bottle of wine to each member of the commission, and they grade the wine independently. Afterward, MAFRD must issue a certificate regarding the quality of the wine: wines graded “one” do not have any quality and are distilled immediately. Others are qualified as qualitative wine, table wine or when the grade is higher than 17 points, culminant wine. Until 2006, the Peja Institute was responsible for keeping one addition bottle of wine for one year for chemical super-analyses if it was required from any institution or Company that disagreed with the results. The competencies have since been transferred to the Rahovec Institute, but the Peja Institute still supports them because without the laboratory they are half operational.<sup>94</sup>

MAFRD promulgated in 2003 an Administrative Instruction that authorized the Agricultural Institute in Peja to conduct analyses, research and the evaluation of wines in Kosova.<sup>95</sup> In 2007 the Institute of Winery and Vineyards in Rahovec was established. Since then, all analyses related to vineyards and winery fall under the responsibility of the Institute of Vineyards and Winery in Rahovec. But, currently the only Institute with a laboratory for wine analyses is the Peja Institute, and in reality they continue to carry out the analytic-chemical analysis. The Institute in Rahovec is only conducting the *organoleptic* analyses (*degustation*) and collecting wine samples from wine producers in Kosova since 2007.<sup>96</sup>

### Reality Check

A great deal of conformity needs to exist with EU regulations for a Kosovar producer to be able to export to member states. At present, barriers exist in relation to three key areas: labeling, processing procedures, and documentation. First, wine bottle labels must contain information in regards to the country of origin, geographical region (if applicable), nominal volume, actual alcoholic strength, name of importer and member state, the quality or “grade” of the wine, and allergenic ingredients.<sup>97</sup> If the functioning of Kosova’s internal mechanisms improves, proper labeling is a barrier that can be easily overcome.

<sup>93</sup> Enology is the science of wine and winemaking.

<sup>94</sup> IKS interview with Shaban Ajdini, Officer of Vineyards and Winery, Agriculture Institute of Peja, Municipality of Peja, 29 February 2008.

<sup>95</sup> Administrative Instruction No. 2003/02 on “Appointing the Authorized Institution for conducting analyses, research, and evaluation of wines in Kosova.”

<sup>96</sup> IKS interview with Shaban Ajdini, 29 February 2008 and Nesim Morina, 5 June 2009.

<sup>97</sup> European Commission Regulation 883/2001 on import labeling requirements.

More challenging is institutional control of wine processing procedures. Although the procedures are defined clearly by EU regulations,<sup>98</sup> how the “conformity with Community oenological practices” will be checked or reinforced remains unclear. If out of an estimated 200 wine producers in Kosova, MAFRD has only 10 registered, one can imagine the extent to which production is controlled. According to Administrative Instruction No. 06/2006, “All cultivators of grapes, producers, and processors of wine in conformity with Article 5 of the Wine Law must be registered and licensed in the register of [...] MAFRD.” They must also apply for a license from the Department of Plant Protection and Production.<sup>99</sup> However, the instruction is clearly not being implemented when the aforementioned unregistered family businesses are considered.

The last issue, the possession of appropriate documentation, does not allow any room for manipulation if the producers are serious about exports, which they seem to be. Some of the required administrative documentation are simple to secure: general import licenses by member states, VI2 forms stamped by customs,<sup>100</sup> Value Added Tax (VAT) certificates issued by the Ministry of Trade and Industry (MTI), import-export certificates issued by customs, invoice declarations, sales contracts, authorizations from exporting companies, and the Single Customs Document (DUD). For up to 100 liters in separate five liter containers, the EU does not require any certificates.<sup>101</sup>

Among the documentation required, three documents are particularly problematic for Kosovar wine producers: a wine certificate and analysis by an officially recognized laboratory; a certificate of origin EUR1 issued by either MTI or the Kosova Chamber of Commerce (KCC); and a L03 sanitary certificate.

### **What Am I Drinking And From Where**

First, the wine certificate and analysis must be issued in the country where the product originated by an appropriate body and an officially recognized laboratory, respectively.<sup>102</sup> For this purpose, the VII form is required for any quantity of wine above one hundred liters. The question is whether Kosova has formally established such “official bodies.” MAFRD is responsible for accrediting these bodies and applying to the EU to have the body recognized and added to their official list. At present, the only institution that conducts wine analyses is the Agriculture Institute in Peja, the competencies of which have begun to overlap with the newly opened Wine Institute in Rahovec. Further, neither of these two institutes have been officially recognized as wine institutes by the EU, while all the other countries in the region have at least one recognized

---

<sup>98</sup> Council Regulation 1493/1999, Article 45, and Commission Regulation 883/2001, Article 31.

<sup>99</sup> Administrative Instruction, No. 06/2006 “For the registration and licensing of cultivators of grapes, producers, and processors of wine,” Article 2, 4.

<sup>100</sup> European Commission Regulation No. 883/2001, 24 April 2001, published in the Office Journal of the European Communities (L 128/1), Articles 25, 28, and 59.

<sup>101</sup> European Commission Regulation No. 883/2001, 24 April 2001, published in the Office Journal of the European Communities (L 128/1), Article 22.

<sup>102</sup> European Commission Regulation No. 883/2001, 24 April 2001, published in the Office Journal of the European Communities (L 128/1), Article 20.

institute. Kosova needs a functioning, EU-recognized institute to provide official documents in order for Kosova products to enter EU markets legally.

The need to establish an institute is not new to Kosova's wine producers and agronomists who have long sought the establishment of an institute of wine and vineyards in Rahovec, where the majority of Kosova's producers and growers are located. During a symposium on vineyards in Rahovec in 1997, wine producers identified the need to establish a specialized institute nearby. They knew then that an institute was essential for the future of wine production in Rahovec.

Their initial idea remained undeveloped until 2005 when MAFRD started the project of establishing an institute with support from GTZ (*Deutsche Gesellschaft für Technische Zusammenarbeit*). In 2007, the Permanent Secretary in MAFRD approved Decision 04/2007 on the establishment of the Institute of Wine and Vineyards in Rahovec based on Article 4 of the Wine Law. The Municipal Assembly of Rahovec provided the building, and the Government of Kosova donated approximately €50,000 for its renovation. GTZ chipped in with inventory and professional training for the Institute's six staff members. The front door to the pink, two-floor building bears the symbol of a wine barrel and grapes, a donation from the Municipal Assembly of Rahovec.

The Institute opened in November 2007 with two sectors: the Sector of Vineyards and the Sector of Winery, as well as a sub-sector for data processing (cadastre). The Institute is guided by Article 4 of the Wine Law; its responsibilities include maintaining the register of vineyards; maintaining the Register of Grape and Wine Growers; prescribing the recommended and authorized varieties of wines and varieties of wine roots; monitoring the ripening of grapes and determining the time of harvest; limiting the per hectare maximum yields of grapes, regardless from variety and destination; and evaluating and designating wine and other products. However, the only tasks currently carried out regularly by the Institute are official organoleptic evaluation of wine produced in Kosova (e.g., the visual examination, feeling, and smelling of wine products), staff training, and preparation for the establishment of a comprehensive vineyards registry in Kosova, otherwise known as a cadastre.

Creating and managing the vineyards cadastre is an important task for the Institute. The establishment of the cadastre is a key step toward enabling the issuing of documents necessary for export to the EU. Vineyards, variety, and yield cannot be controlled properly without knowledge of where, how much, and what is grown in Kosova's vineyards. "Without a cadastre it is not possible to secure good wine production because you don't know where we have what," commented Shaban Ajdini, Officer of Vineyards and Winery at the Agriculture Institute in Peja.<sup>103</sup> "When a serious buyer comes and drinks Chardonnay from a company, he would like to know from which region and the cadastre number so that he can ask for that particular wine." At present, only the owners of vineyards have access to information about vineyards, sapling

---

<sup>103</sup> IKS interview with Shaban Ajdini, 29 February 2008.

control, and the varieties of grapes grown. Better institutional control of this information is crucial for maintaining high standards of production.

Unfortunately, the history of wine production in Kosova over the last twenty-odd years survives only in the handwritten notes and memories of one of the Agriculture Institute's longest employees, Shaban Ajdini. His office is located in Peja's "Institute" neighborhood in a two-story, grey building, the only accredited agricultural institute in Kosova. Established half a century ago, it sought to improve agricultural standards in Kosova. The vineyard outside the Agriculture Institute once contained more than 100 varieties of grapes for scientific research. Today it is a mere shadow of its former self.

All former wine producers had contracts with Agriculture Institute before the war, according to which the Institute was responsible for conducting research and visiting their vineyards to monitor and document the quality and quantity of grapes. The Institute could then make recommendations as to when producers should harvest their grapes, a practice that only occurred once since the war (in Suhareka).<sup>104</sup> Now, notes wrinkled with time and cadastral books from the 1980s, when vineyard records was last entered, are all that remain, spread out across two old tables in Ajdini's office. No exact record has been kept since then, only rough estimates.

The Government of Kosova is hoping to address this problem through its approval of a three-year €750,000 project by MAFRD to establish a modern cadastre. The Government allocated the first €350,000 in 2008. The cadastre is now finished for the municipality of Rahovec, the process will be carried out in other municipalities as well, the Institute of Wine and Vineyards in Rahovec will take over all official responsibilities for maintaining it. The reason for relocating the cadastre is due mainly to the Agriculture Institute's focus on agriculture in general, whereas the Institute of Wine and Vineyards in Rahovec is responsible for and specialized in vineyards and winery.

At present, the Agriculture Institute continues to operate the Laboratory of Enology where all chemical analyses of wine are conducted. This frustrates the primarily Rahovecian wine producers who must drive fifty-some kilometers to Peja in order to have their wine analyzed and to secure their certificate. Considering the ever-increasing requests for export, Morina and his staff sought funding in 2008 for establishing a modern enological laboratory in Rahovec so analyses could be carried out closer to the wine producers. "The EU requires that the evaluation be done in the place of production," he explained. A modern laboratory carries a price tag of approximately €200,000, and the funds have yet to be secured.

Even if the Institute in Rahovec were to take over or share responsibilities for enological analyses, the Agriculture Institute in Peja also has plans in place for researching new species of

---

<sup>104</sup> IKS interview with Shaban Ajdini, 29 February 2008.

grapes for production in Kosova. Thus, the two institutes will have to continue cooperating closely.

### **Where is Kosova?**

The second problematic document is the EUR.1, which enables the manufacturer to certify the origin of the wine.<sup>105</sup> The origin of a good must be certified in order to receive a preferential rate when clearing customs. For such a rate, the EUR.1 form must be delivered to the customs authorities. The first most obvious issue with the document is related to Kosova's recognition problem; some countries do not accept Kosova as a "country" of origin. "Our wines are like bastard wines, without an identity," commented Bekim Hoxha of Eko Winery.<sup>106</sup> "This makes it difficult to try to export wine." In addition, without a wine cadastre, there is no official way to determine whether a wine actually originated in Kosova, and it remains unclear whether the document should be issued by MTI or KCC.

The third problematic document is not required by EU member states, but it poses a barrier for wine to leave Kosova. In order for wine to cross the border, it must be accompanied by a L03 sanitary certificate issued by "competent authorities" in accordance with the Tariff Customs Code.<sup>107</sup> However, the customs code does not define who the "competent" authorities are. Whether the code is even applied remains unknown.

Producers have also expressed concern about barcodes.<sup>108</sup> However, the idea that state to state trade requires a barcode is a misconception. Barcodes simply make it easier for buyers like supermarkets to monitor their inventories. Although the barcode also indicates from which country a good came, it is not mandatory for exporting to an EU member state. Whether a barcode is needed depends more on whether the final buyer of the wine will accept the wine without a barcode. The Kosova Chamber of Commerce issues barcodes for all Kosova producers, but this barcode is not recognized officially by EU institutions. However, most EU member states are aware that products with barcodes starting with the number 390 come from Kosova.<sup>109</sup>

### **POTHOLES ON THE ROAD TO BRUSSELS**

Clearly, Rahovec has great potential for further developing viticulture and vineyards. Other areas of Kosova also have potential for wine production. Vineyards exist in the municipalities of Prizren, Gjakova, Suhareka, Malisheva, and Peja as well. However, the vineyards in Suhareka and Gjakova municipalities pale in comparison to Rahovec's booming vineyards. For example, located in the center of Suhareka town is the recently privatized NBI Suhareka, now known as Kosova Holding. Once an internationally renowned winery exporting to Germany, Poland,

<sup>105</sup> European Commission Regulation No. 1207/2001, 11 June 2001, published in the Office Journal of the European Communities (L 165/1).

<sup>106</sup> IKS interview, 31 January 2007.

<sup>107</sup> IKS interview with Customs officials, April 2009.

<sup>108</sup> IKS interviews, 2007-2008.

<sup>109</sup> IKS interview with Kosovo Chamber of Commerce official, July 2009.

France, Slovenia, and Serbia, its former workers fear it will not return to its former success of exporting roughly six million liters per year.<sup>110</sup> The Fratinelli Italian company that purchased the old wine cellar has demolished it; the metal parts will be sold. Italian experts analyzed the land and found that too much water in sections made the earth more suitable for vegetable production. According to Habib Usaj, Commercial Director, a new, smaller winery will be built in its stead, but relocated to Shiroke village, a few kilometers from Suhareka. Parts of the vineyards have since been cut and will be replaced with fruits and vegetables.<sup>111</sup>

The former directors of NBI Suhareka, some agriculture professors, and citizens disagreed with the decision. Around 550 hectares of vineyards have been destroyed, especially near the main road.<sup>112</sup> “It’s clear they want to make parcels for construction of new buildings or to sell the land,” the former directors said. They expressed disappointment with the Privatization Agency of Kosova (PAK), which, they said, never monitored the work of the new owners even though the winery was sold with a special spin-off. Further, according to the agreement the company was supposed to employ 450 employees, but it only employs 200 people divided into two 100-person shifts that each work 13 days per month. The former directors and employees of NBI Suhareka have sent numerous complaints to the government, PAK, and even met with the Prime Minister in an attempt to stop the destruction of vineyards in their municipality, but no action has been taken. “The vineyards continue to be destroyed even with the new grapes growing on them,” Sedat Kuqi, Director of the Directorate for Agriculture said.

“The state should intervene with legal acts,” commented Dr. Bashkim Korenica, an old professor in the vineyards and wine production sector at the Faculty of Agriculture. “They must make urban plans for villages and towns before all the agricultural land and vineyards are destroyed and replaced with illegal buildings [and] gas stations. The laws on agricultural land and on land parceling should be enforced,” he said. KLAN Kosova has reported that Kosova loses an average of two thousand hectares of agricultural land every year.<sup>113</sup> Further, an estimated 20,000 hectares of agricultural land have disappeared since 1989.<sup>114</sup> “The economy will prosper with factories, the food industry, and agriculture, not only gas stations and swimming pools,” Korenica warned.

Worse off than NBI Suhareka is the winery Ereniku in Gjakova municipality, which has yet to be privatized. The winery looks like a stopped clock. Two or three former employees come almost daily, hoping to return to work. For now their only task is selling wine leftover from the winery’s better days. The once successful winery in Krusha e Vogel town in Prizren municipality suffers a similar fate, having been left to the grace of time, it still awaits privatization.

Clearly Kosova’s capacity for wine production could have a bright future, but has been slowed by some bumps in the road. “Its a shame. This should not happen to us,” Korenica said. “We

<sup>110</sup> IKS interview with former employees of NBI Suhareka, 27 March 2008.

<sup>111</sup> IKS interview with Habib Usaj, Commercial Director, Agrokosova holding (former NBI Suhareka), 2 March 2008.

<sup>112</sup> IKS interview with Sedat Kuqi, Director of the Directorate for Agriculture, 5 June 2009.

<sup>113</sup> KLAN Kosova, 4 May 2009, 20:00 news.

<sup>114</sup> MAFRD, “The Kosova Greenbook: A strategy for sustainable agricultural and rural development in Kosova,” Prishtina: May 2003, pg. 41.

have potential,” he sighed. “We only need to better organize things. ... The state should intervene with a legal framework, and the situation will improve.”

### Calling All Investors

Unfortunately, the municipality offers little assistance to farmers, aside from listening to their needs, problems and requests.<sup>115</sup> Altogether, the budget for the agriculture, forestry, and rural development sector in 2008 was less than five percent of the municipal budget (€24,893 of €5,056,179).<sup>116</sup> The miniscule budget was allocated to payments and accrual (€12,714) and goods and services (€12,179). The sector had only four employees.

At the national level, MAFRD was the worst funded ministry in Kosova, receiving a miserly 0.8 percent of the Kosova Budget (KB) (€8,684,931) in 2008. The budget improved little in 2009, still comprising less than 1.1 percent of the KB (€12,161,791). Thus MAFRD’s resources in general and the Department of Plant Protection and Production in particular were insufficient for direct investments in the wine sector.<sup>117</sup>

While government support to the agricultural industry has been weak, numerous international organizations offered assistance to farmers, including the International Catholic Migration Commission (ICMC); Danish Peoples Help; International Committee of the Red Cross (ICRC); European Agency for Reconstruction (EAR); and Swisscontact, among others.<sup>118</sup> French organizations also donated 32 greenhouses in an area of 32 acres for the Municipality of Rahovec. In addition to supplies and equipment, international organizations offered professional training and capacity building in all areas of farming, including wineries and orchards.<sup>119</sup> In 2002, UNDP also funded a project that was implemented by the UN Food and Agriculture Organization (FAO) in cooperation with the Ministry to develop the wine sector in Kosova.<sup>120</sup>

Although Rahovecian families have relatives working abroad and sending money home, it seems that few funds are being invested in the economy. Nait Elshani, Former Vice President of the Municipality of Rahovec, bemoaned the fact that few remittances benefited the public or economic growth in the region, “Our people do not invest in factories but in houses” he said.<sup>121</sup>

Right now the Kosova economy needs an infusion, according to Elshani. “Just like when someone gets sick, and he or she needs a boost.” Long-term loans would be ideal, and if the interest rates were lower, people would be more than willing to work more. “These people are hardworking, all they need is a little help and a market where they can sell their products.”

<sup>115</sup> IKS interview with Ibrahim Kryeziu, former Chief Executive Officer, Rahovec, 5 February 2008.

<sup>116</sup> The budget allocated for health (€562,156) and education (€2,592,550) was significantly higher (2008 Budget for Rahovec, available at: [www.rahoveci-komuna.org](http://www.rahoveci-komuna.org), accessed 30 July 2008).

<sup>117</sup> IKS interview with Nesim Morina, Chief of the Wine and Vineyards Institute in Rahovec, 28 March 2008.

<sup>118</sup> IKS interview with Avdullah Kryeziu, Ex-Director of the Agricultural Division in the Municipality of Rahovec, 15 January 2008.

<sup>119</sup> *Ibid.*

<sup>120</sup> IKS interview with Nesim Morina.

<sup>121</sup> IKS interview, 28 January 2008.

## What of Women and Wine?

Closely related to the challenges of creating new employment opportunities in Kosova toward sustainable economic growth is how to best utilize what is potentially half of Kosova's labor force: its women. Rural women have among the highest unemployment rates and lowest levels of active participation in the labor force in Kosova.<sup>122</sup> Involving more rural women in the wine industry can increase Kosova's GDP as well as contribute to the fulfillment of MDGs and the European Partnership Action Plan (EPAP). Indeed the World Bank sees "Gender Equality as Smart Economics" and associates an increase of women's participation in the labor market with faster economic growth.<sup>123</sup>

A few women can be seen working in the vineyards of Rahovec, but they spend more time cultivating peppers, tomatoes, potatoes, and other vegetables. In the town, women work as hairdressers, seamstresses, and taxi drivers, thanks to vocational training provided by a local non-governmental women's organization, Hareja.<sup>124</sup>

At Stone Castle, 97.7 percent of the 262 employees were men in 2008. None of the employees at Haxhijaha winery are women. Only a few men mentioned the contributions of female family members to the family-run wineries, noting that they assisted with bottling and packaging. Why aren't more women involved in Rahovec's growing wine industry? Largely, the reasons seem cultural.

The proverbial sayings on women and wine among the male owners and managers of Rahovec's wine industry spoke volumes. For example, an interviewee commented that a quality wine has three attributes. First, the wine has "good health" and is "clear as crystal." Second, the body does not have a foreign aroma. Third, after drinking half a liter of wine, one should not have a headache. However, he added, it also depends on one's psychological state when drinking. "Wine is like a woman; sometimes she looks beautiful and sometimes stale."

One might be quick to blame such sayings, common in Kosova's wine industry, on the rural, "*katunar*" mentality (urban slang for "backward villagers"). While describing the detailed process of caring for vineyards, another farmer's proverbial words did seem indicative: "Vines are like a child and a woman; they need a lot of nursing." While he and his worker were engaged primarily in wine production, he said his wife and the other "*nuse*" (literally translated as bride) worked in the vineyard and in packing wine bottles.

---

<sup>122</sup> Republic of Kosovo, Ministry of Public Administration, Statistical Office of Kosovo; <http://www.ks-gov.net/mpms/PDF-fajllat/Publikimet/Librat/2008-Raporti-Vjetor-Puna-dhe-Punesimi-PDF.aspx>

<sup>123</sup> World Bank, "Gender Equality as Smart Economics: A World Bank Group Gender Action Plan (Fiscal years 2007-10), World Bank, September 2006, p. 2, available at: <http://siteresources.worldbank.org/INTGENDER/Resources/GAPNov2.pdf>, accessed 3 June 2009.

<sup>124</sup> IKS interview with Fetah Berisha, Professor of Albanian Language and former Kosova Assembly Member, Rahovec, 28 January 2008. Another NGO, Promocom, has also provided training to women in handicrafts, hairdressing, tailoring, and bookkeeping (IKS interview with Hidije Pista and Blerta Nezaj, 1 February 2008).

However, according to Nazife Hundozi, Manager of the Personnel Office in the Municipal Assembly of Rahovec, the scarce number of women employed in the municipality was not due to the mentality, but rather the lack of job opportunities.<sup>125</sup> Hundozi noted that many women were in her graduating class at the University of Prishtina decades ago. However, few employment opportunities are available for anyone these days, she said, women or men.

In an effort to help women improve their living conditions, the Kosova Enterprise Programme (KEP) began offering special loans for women in early 2007. The program offers loans to women for up to 60 months with interest rates at 1.3 percent per month.<sup>126</sup> For agriculture loans the interest rates were 1.25 percent. Women's businesses need not be registered yet. A number of women have taken loans, particularly for handcrafts but sometimes for agriculture.

Kosinvest has also opened an office in Rahovec town in (January) 2007. Most loans are given in four cycles. Initially, starting with €500 to €2000 (maturity 18 months) and then gradually increasing to maximum loan of €5000 (maturity 36 months). The interest rate per month is around 1.12 percent.<sup>127</sup> While they did not have a program for women in particular, women received an estimated 65 percent of loans through one program, most of which went to agriculture, the purchase of animals, or house improvements, according to the loan officer. Kosinvest planned to start a new loan program for female households with the lower interest rate of 8-10 percent, lower than the prior 12-14 percent.

Low interest loans have the potential to provide some incentive for more women to become involved in the industry. Indeed, according to Xheme Krasniqi, the Loan Officer at Kosinvest, "Women are more regular than men in paying back loans." However, the fact remains that most wine businesses continue to be led by men. Further, there have been numerous reports of husbands taking loans in the name of their wives in order to gain a better rate.<sup>128</sup>

Perhaps more importantly, women need new skills developed in financial management, marketing, computers, foreign languages, and other skills necessary for running businesses and moving wine into European markets. A burgeoning wine industry has great potential to employ otherwise uneducated, poor women by imparting basic skills in manufacturing and the wine industry. Here there are opportunities for the University of Prishtina to provide professional courses on wine production for rural women in particular.

## **THE RAHOVEC – BRUSSELS EXPRESS: A ROADMAP**

Although the road to Brussels is undoubtedly bumpy, Rahovec possesses a wealth of resources and unique opportunities for economic growth. "Its a shame to let this [wine] sector slip through

<sup>125</sup> IKS interview, 28 January 2008.

<sup>126</sup> IKS interview with Artan Ejupi, Loan Officer, Kosova Enterprise Programme, 25 June 2007.

<sup>127</sup> IKS interview with Xheme Krasniqi, Loan Officer, Kosinvest, 25 June 2007.

<sup>128</sup> IKS interview with Artan Ejupi, Loan Officer, Kosova Enterprise Programme, 25 June 2007.

our hands,” Dr. Korenica commented. “We have great potential for developing it: climate, land, sun, and young people.” The old hand and other experts in the field have identified a number of steps that could be taken to speed Kosova’s journey to Brussels.

First and foremost, the Government of Kosova needs to show greater commitment to developing the agricultural sector by immediately increasing the overall budget of this key Ministry. The Government can further support growth in the sector by passing policies that benefit farmers, such as removing or at least decreasing excise taxes on agricultural goods, decreasing the amount of time required for the tax payment processes, and offering subsidies for seeds. The Wine and Vineyards Institute in Rahovec in particular requires adequate human and financial resources so that it can establish a functioning cadastre record, carry out organoleptic analyses, and be certified by the EU, an essential step for future exports. In the same vein, the new wine law must be implemented fully and immediately.

The future of the wine sector specifically and agricultural in general must be protected through the enforcement of the laws on agricultural land and land parceling. Active attention must be paid to the creation of urban plans for villages and towns, ensuring that agricultural land and vineyards are protected for centuries to come.

At the micro-level, the municipal government should support more families and grape cultivation operations to establish agricultural plots for samplings, including varieties that are tried and true in Kosova as well as experimental, based on demand in the world market. Other Kosovar producers could then visit these plots to learn about cultivating new varieties. At present, only a handful of families are cultivating saplings, and Kosova wine producers are using saplings from Serbia, which are neither verified nor controlled. The development and growth of quality-controlled saplings could eventually enable Kosova to meet worldwide demands and speed entry into wider markets.

Wine producers can also take steps to set Kosova on a fast-track to Brussels. Private farmers could benefit from forming agricultural cooperatives to share equipment and technology. The processing of grapes, production of wine, marketing, and selling could be a joint effort benefiting all members of the cooperative. A Wine and Vineyards Association comprised of different wine and vineyards experts and building on the best practices of the Anadrini Association could educate farmers on vineyard cultivation, pesticide usage, and varieties currently in demand across international markets.

Kosova’s competitiveness in world markets could be enhanced further through improved packaging and marketing. Investors, including EU companies or donors interested in Kosova’s economic growth, may find quick returns from teaming with successful local producers. More specifically, Kosovar wine producers need support to improve branding, marketing for consumption in diverse countries, and wine product promotion internationally. Here again, the Government of Kosova has an important role to play in expediting progress by advocating for

European countries to ease visa restrictions so producers may travel abroad more freely to meet potential clients and develop business relationships.

With the strong commitment from both central and local government and with the technical and financial help of European Commission – agriculture being part of the parcel of European Union integration process – the road to Brussels might not be that long after all. Together we can make it possible for our white and red grapes to compete in the European market in a relatively short period of time.



## **ABOUT US**

The Kosovar Stability Initiative (IKS) is an independent, not-for-profit think tank focusing on empirical research and analysis of socio-economic developments in Kosova. Founded in 2004, IKS offers innovative and policy-relevant research with the aim of initiating debates on issues of importance for Kosova's future.

We believe that evidence-based public debates stand at the core of democratic decision making.

Since summer 2004, IKS has expanded its team to seven full-time analysts and researchers, with a growing network of part time researchers and associates. The work of IKS is also supported by an Advisory Board including Kosovar and international analysts and practitioners.

Since its inception IKS's work has focused on issues of governance, economic development, urban planning, corruption in post-war reconstruction, environmental issues, education, Kosova's image problem and muddled governance structures at the present. IKS is also part of an ESI-inspired network of think-tanks across South East Europe and associate member of ECAS.

All reports are freely available on our website.