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USAID KOSOVO PRIVATE ENTERPRISE PROGRAM (KPEP)

QUARTERLY REPORT FOR THE QUARTER ENDING MARCH 31, 2010

USAID KOSOVO PRIVATE ENTERPRISE PROGRAM

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LIST OF ACRONYMS

ABA-CEELI	American Bar Association – Central European and Eurasian Law Institute
ADI	Association Development Index
AEI	Agency for European Integration
AKA	Alliance for Kosovo Agribusiness
AKTA	Association of Kosovo Tourist Agencies
AUK	American University in Kosovo
BEE	Business Enabling Environment
AWPK	Associations of Wood Processors in Kosovo
B2B	Business To Business
Biz-CLIR	Business Climate, Legal and Institutional Reform
BSP	Business Service Providers
BSS	Business Support Services
CAGR	Compound Annual Growth Rate
CCMI	Center for Communications Management Information
CEFTA	Central European Free Trade Agreement
CEE	Central and Eastern Europe
CMT	Cut-Make-Trim
CMC	Certified Management Consultant
CoC	Chain of Custody
CRM	Customer Relations Management
ccTLD	country code Top Level Domain
CV	Curriculum Vitae
DAG	Donor Assistance Group
DCED	Donor Committee for Enterprise Development
DFID	Department for International Development
EAR	European Agency for Reconstruction
EBRD	European Bank for Reconstruction and Development
ECIKS	Economic Initiative for Kosovo
EE	Energy Efficiency
EGAT	Economic Growth and Trade
EU	European Union
EULEX	European Union Rule of Law Mission in Kosovo
EU NACE	European Union - Nomenclature ŀconomiques Communauts Europennes
EC	European Commission
EN	European Norm
EUA	European Confederation of Manufacturers
ERO	Energy Regulatory Office
ERP	Enterprise Resource Planning
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FSC	Forest Stewardship Council
FYROM	Former Yugoslavia Republic of Macedonia
GAP	Good Agriculture Practice
GAP	Gap Analysis Program

GDA	Global Development Alliance
GDP	Gross Domestic Product
GE	Gorenje Elektromotori
GoK	Government of Kosovo
GTZ	German Society for Technical Cooperation
HACCP	Hazard Analysis Critical Control Point
HR	Human Resources
IANA	Internet Assigned Numbers Authority
IATA	International Air Transport Association
ICANN	Internet Corporation for Assigned Names and Numbers
ICT	Information and Communication Technology
ICO	International Civilian Office
IDC	International Data Corporation
ISO	International Organization for Standardization
IPAK	Investment Promotion Agency of Kosovo
IT	Information Technology
ITC	International Trade Centre
IPR	Intellectual Property Rights
IEP	Internet Exchange Point
KAA	Kosovo Associate of Architects
KASP	Kosovo Association of Concrete Producers
KCBS	Kosovo Cluster Business Support
KFVA	Kosovo Food and Veterinary Agency
KOTAS	Kosovo Tourist Association
KPA	Kosovo Premier Advisor
KPEP	Kosovo Private Enterprise Program
KSA	Kosovo Standards Agency
KEK	Kosovo Energy Corporation
MAFRD	Ministry of Agriculture, Forestry and Rural Development
MEA	Middle East and Africa
MEF	Ministry of Economy and Finance
MEM	Ministry of Energy and Mining
MESP	Ministry of Environment and Spatial Planning
MFA	Ministry of Foreign Affairs
MTC	Ministry of Transport and Communications
MTI	Ministry of Trade and Industry
MIS	Management Information Systems
MPA	Metal Producers Association
MoU	Memorandum of Understanding
NAAC	National Albanian American Council
NAHETS	National Association of Heavy Equipment Training Schools
NGO	Non-Governmental Organization
NRM	Natural Resource Management
OECD	Organization for Economic Co-Operation Development
OJT	On-the-Job Training
PBMS	Performance Based Management System
PET	Poly Ethylene Therephthalate
PETCORE	Polyethylene Terephthalate Container Recycling Europe

PMI	Project Management Institute
PMP	Project Management Professional
PMO	Prime Minister's Office
PMU	Project Management Unit
PPP	Public-Private Partnership
PSD	Private Sector Development
PTK	Post and Telecommunication in Kosovo
RCAK	Road Construction Association of Kosovo
RE	Renewable Energy
RFA	Request for Application
ROI	Return on Investment
SAF	Strategic Activities Fund
SDG	Standards Development Group
SOE	Socially-Owned Enterprises
SWOT	Strengths, Weaknesses, Opportunities, Threats
SIDA	Swedish International Development Agency
SME	Small and Medium Enterprise
SMME	Small, Medium, and Micro Enterprise
STTA	Short-Term Technical Assistance
TAK	Tax Administration of Kosovo
TAM/BAS	Turn Around Management / Business Advisory Service
TBD	To be determined
TPA	Tons per annum
TRA	Telecommunications Regulatory Authority
UBO	UBO Consulting
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Program
UNMIK	United Nations Interim Administration Mission in Kosovo
UNWTO	United Nations World Tourism Organization
USA	United States of America
USAID	United States Agency for International Development
USG	United States Government
VAT	Valued added tax
VEC	Vocational Education Center
VTC	Vocational Training Center
YES	Youth Employment Service

EXECUTIVE SUMMARY

Results for KPEP at the half way point through Year 2 are excellent. Despite the fact that two major sectors, construction and agriculture, would be expected to be slow for seasonal reasons and the fact that Kosovo continues to be buffeted by the effects of the global financial crisis, KPEP-supported firms achieved significant growth in sales, investment, full time jobs, and exports. The Year 2 target increase in sales was set at €20 million. Cumulative Life of Project (LOP) increase in sales is €32.3 million, which means that we have already exceeded the target for Year 2. Cumulative LOP investment growth is €13.8 million, already exceeding the Year 2 target of €8 million. KPEP-assisted companies have also added 751 full time equivalent (FTE) jobs since the beginning of the project. This is still below the Year 2 target of 2,018 but very respectable with a strong trend line. Cumulative LOP data for exports show an increase over the baseline of €17.0 million. The exports/imports coverage ratio for KPEP-supported sectors is at 70.1 percent. The Kosovo-wide data show a 15.2 percent exports/imports coverage ratio for the period ending January 2010.

We have again provided a series of contextual indicators in the PBMS section with KPEP-assisted firms strongly outpacing the performance of the economy of Kosovo as a whole, regional economies, the EU, and the World (see page 87).

For the first time, we have also added an analysis of the multiplier effect of the increase in sales and jobs to better understand the overall impact of the project. Using multipliers to estimate total economic impact or the employment impact of direct sales and growth of a particular industry is a common economic tool. However, the process for developing a multiplier for specific sectors in Kosovo would be potentially costly and the data may not be available or accurate. Instead, we collected multipliers from a wide range of sources and then used an average for KPEP-specific sectors. The results are quite instructive and impressive. With a total increase in sales of €31,793,841 the overall impact, taking into account the multiplier effect, is an increase of €55,488,007. Similarly an increase of 682 new jobs in KPEP-assisted firms translates into 1,204 new jobs in the economy as a whole.¹

We have also tried to calculate the degree to which KPEP's activities are associated with the observed results. The PBMS section outlines the methodology for calculating attribution. This is valuable in better understanding the impact of specific interventions in each sector and the results can be used to inform our investment decisions going forward. Attribution ranges from a high of 74% in tourism to a low of 18% for road construction.

KPEP is a large and complex project. We are providing assistance in nine sectors, divided into transformational, transactional, and informational. These terms denote the level and type of support that we will provide. Transformational sectors are those where we seek to make improvements across the entire value chain. For transactional sectors we look for discrete activities that will generate short term return on investment. Informational sectors, as the name implies, are sectors that we will track and monitor but not actively support at this time. In addition, we work to strengthen the competitiveness of Kosovo's economy through improvements to the business enabling environment, business support services, and workforce development.

¹ Total LOP numbers on sales and jobs in the multiplier section differ slightly from the numbers presented for the project as a whole because we did not calculate multipliers for poultry and metal fabrication (lack of data) and we therefore did not include these sectors in the multiplier calculation.

To manage and monitor the program we have created a series of 46 discrete objectives. We have articulated a set of anticipated results for each objective. We then ranked progress in achieving these results using a color code in which green represents satisfactory or better, yellow denotes issues or concerns, red indicates serious problems, and blue reflects a dropped objective. In this report we rank 28 objectives satisfactory or better, 15 with issues or concerns, 1 has serious problems, and 2 are new unranked.

Construction, Agriculture, and Wood Products continue to be the leading sectors in terms of generating results. ICT is a relatively new and small sector and much of our work is focused on foundational activities that will enable future growth. We continue to believe that the sector has great promise for job creation for youth. Tourism showed impressive growth numbers, 763% growth in sales and 237% growth in employment, but from a very small base.

Recycling made negligible contributions to increased sales, investment, exports, and job growth and we will deemphasize efforts in this sector. Similarly our analysis of the potential of the energy efficiency sector shows limited opportunities and we will focus our efforts on energy efficient building materials, which will be managed in the construction sector, and biomass, which is part of the forestry sector.

In Business Support Services we have chosen to deemphasize work with the local consulting industry and focus more effort on association building. The training and mentoring program for women entrepreneurs is off to a great start. The Business Enabling Environment component has done an excellent job of providing targeted support to selected sectors and in supporting improvements in competitiveness indicators. Excellent progress has been achieved in workforce development. Workforce initiatives have been closely integrated into all KPEP sectors.

More generally we believe that we have created a rigorous and comprehensive system for measuring and understanding the results and achievements of the program. Innovations including the calculation of sector specific multipliers, attribution data, and Return on Investment (ROI) metrics allow us to better understand what kind of interventions are likely to be most successful and which sectors can yield the greatest results. This information is then used to inform investment decisions. The process for generating and reviewing Funded Activity Requests and evaluating Grant Proposals for Strategic Activity Funds require sound analysis and help ensure that scarce project resources are focused on those activities that have the highest potential for achieving results. This rigor in decision making is new and sometimes uncomfortable for long time clients of KPEP and its predecessor programs and for some KPEP staff. We note that the purpose of the project, as set out in the RFP is to, “set the stage for sustainable private sector growth.” The difference between social welfare programs and sustainable development programs rests on informed economic analysis and decision making.

Overarching KPEP Objective

The overarching objective of the Kosovo Private Enterprise Program is to stimulate the private sector and increase the competitiveness of Kosovo’s economy. The integrated nature of the project, which consists of four components, blends work to improve the competitiveness of selected sectors with initiatives in business support services, workforce development, and business enabling environment. This approach has proven to be particularly effective. Our objectives are most often achieved through an interrelated set of activities across multiple components. The design of the project explicitly recognizes the complex web of factors that define the competitiveness of a nation. But while progress is being achieved, the barriers to creating a prosperous market based economy are enormous. We strongly believe that a critical first step is to undertake measures to improve awareness and understanding on the part of key decision makers in government, the private sector, and civil society of the essential building blocks, or pillars, of a competitive market economy.



Objective 1: Launch a national dialog on competitiveness

Anticipated Results	
<p>In the near term, we would expect increased awareness and understanding of the concept of national competitiveness and the relevance to Kosovo’s economic future on the part of conference participants and the general public. In the longer term, key stakeholders in Kosovo would come together to develop and implement an action plan designed to improve economic competitiveness. The ultimate goal is a more competitive economy and higher economic growth.</p>	
Activities	Status
<ol style="list-style-type: none"> 1. High level conference on the competitiveness of Kosovo as a nation 2. Establishment of a national working group on competitiveness 	<ol style="list-style-type: none"> 1. Ongoing 2. Ongoing
1 st Quarter Progress	
<p>This is a new objective introduced in the Year Two Work Plan. Progress has been poor. KPEP has continued efforts to promote awareness and understanding of the factors that underpin the working of a competitive market economy. Of note was the roundtable discussion of the AgCLIR diagnostic. The diagnostic covered five chapters of the World Bank Doing Business Report. While aimed at agriculture, it also reported on and analyzed issues of importance to the broader economy. The event was attended by numerous stakeholders and was used to generate discussion and feedback on the emerging recommendations and findings. In the coming quarter KPEP will organize a roundtable discussion of the final AgCLIR report. In addition, KPEP has now updated the BizCLIR indicators for 2010. This year’s update saw minor improvements in Contracts, International Trade, and FDI. The next step will be to organize a roundtable of interested stakeholders to promote awareness and discuss findings (see BEE section on this report).</p> <p>KPEP has also begun to work with other institutional actors to address broad cross-</p>	

cutting issues that effect national effectiveness. The BEE lead is now on the Am Cham tax committee and the COP is the chair of the new Am Cham Competitiveness committee. These steps are intended to lay the ground work for a more comprehensive national competitiveness dialog.

I. COMPONENT 1: INCREASED COMPETITIVENESS OF KEY SECTORS

A. TRANSFORMATIONAL SECTORS

1. SECTOR: AGRICULTURE

The agricultural strategy for Year 2 will be to continue to identify and intervene in removing constraints along sector value chains. Those constraints that come to the forefront are domestic and export market penetration and infrastructure development. These two constraints are closely related. The end market is looking for a quality product that meets specifications with a low transaction cost. Meeting market demand by improving product quality and variety selection along with improving handling and storage in collection centers can remove these constraints and open up new markets. Improved markets will drive commercialization of Kosovo’s agricultural sector.

At the end of January, the Booz Allen team completed the first phase of the Kosovo Agriculture Opportunities Strategy, which focused on recommendations of new high-potential, high-value crops that can be grown in Kosovo. As a follow-on study, USAID asked Booz Allen to also examine key animal products that could be developed in Kosovo. From these two analytical reports there are specific recommendations on crop diversification and animal products that can be introduced or expanded in Kosovo. In addition there are a set of supportive initiatives that need to be undertaken. Informed by these findings, KPEP has identified specific actions that are within scope and budget that can be undertaken now. During the coming quarter KPEP, in close consultation with USAID, will explore integrating the following initiatives into the project:

- Greater crop diversification, including asparagus, gherkins, lettuce/chicory, and saffron
- Support to poultry sub-sector: broilers, egg production , and turkey
- Support to strengthen 3-5 farmers associations on a pilot basis
- Pilot PPP model extension services for high value crops
- Create a model market intelligence system
- Develop promotional materials and identify 3-5 investors for collection centers, pack houses, and cold storage
- Provide targeted technical assistance to resolve trade facilitation issues that inhibit the export of agricultural products

Overarching goals and strategy for the dairy sector. The dairy strategy addresses value chain opportunities in delivering to consumers high quality products, competing in more product categories and penetrating domestic retail markets that are exhibiting growth. Supporting dairy policy development will enhance the likelihood of accelerated growth in the dairy sector.

Current Objectives.



Objective 1: Improve product quality

Anticipated Results

The intermediate result is a substantial improvement in raw milk quality with at least 80% of the farmers participating experiencing improved raw milk test results and 5 student interns

finding jobs as milk quality field personnel.	
Activities	Status
1. Support dairy internship program	1. Ongoing
2. Support a study tour to Lithuania for Kosovo Food and Veterinary Agency (KFVA) dairy internship program (University of Pristina)	2. Planned April 2010
3. Conduct dairy technology short course	3. Completed
2 nd Quarter Progress	
<p>Progress in this objective area is satisfactory. Eight-six percent of dairy farmers participating with at least three test results showed improvement in either somatic cell count or total bacteria count decline and in many cases both of these quality indicators improved. None of the interns has yet been offered employment.</p> <p>1. Support Dairy Internship Program Clearly the student internship with the University of Prishtina’s Veterinary Faculty was a success in terms of improving raw milk quality. The 10 students performed so admirably that they have been engaged in the current student internship as mentors to the new class of interns. The subcontract to manage the internship was awarded to IADK, lead by Zenel Bunjaku. IADK will implement the internship from the veterinary faculty to bring the program into a sustainable position.</p> <p>2. Study Tour to Lithuania for KFVA KPEP is working with World Learning to organize the study tour scheduled for April 2010. The study tour centers on the operations of the Lithuanian Food and Veterinary Agency which generates the majority of its income from fees for services, particularly raw milk testing. The participants are staff from KFVA:</p> <p>Drita Bjaraktari, milk laboratory technician Hysa Gerbeshi, milk laboratory technician Vlora Gashi-Zogjani, milk laboratory technician Xhemajl Dervishi, Head of KFVA laboratory Blerim Hajdari, KFVA Kushtrim Tigani, representative of the dairy industry</p> <p>3. Conduct Dairy Technology Short Course The second dairy technology short course, held December 14 – 31, was well attended and the feedback is extremely positive. The participants included Kabi Dairy, Golaj Dairy, Magic Ice, Eurolona Dairy, Alpina Dairy and Rona Dairy. Benxhi Alili of Biolab attended to improve his understanding of the dairy production. This short course focused upon soft white cheese production. Participants in the short course saw increases in projected income ranging from €43,000 (Eurolona) to €100,000 (Kabi). Most of the increases came in a higher yield of cheese from milk. One of the key elements of the short course is building the culture of quality at dairy processing firms. The consultant was also asked by Kabi Dairy to evaluate a product, peppers and sour cream. The product had a shelf life of 4 days, but with some modification to the process, the shelf life was extended to 21 days and flavor was improved.</p>	

An environmental review for milk collection centers, including those located in minority areas has been completed for Kabi Dairy.

Objective 2: Improve product marketing and strengthen business to business relations

Anticipated Results	
<p>By the end of Year 2, KPEP anticipates a 10% decrease in imports from the previous year, reflecting an increase in domestic market share. Coinciding with an increase in market share, the dairy sector will witness a €1 million increase in investment. At least two new products will be introduced into the market.</p>	
Activities	Status
1. Promote Consumption of Dairy Products	1. Planned May - June
2. New Product Development	2. Ongoing
3. Strengthen relationship between dairy processors and local retail chains	3. Planned May
4. Improve packaging (New)	4. Ongoing
2 nd Quarter Progress	
<p>Progress under this objective is satisfactory. Fluid milk imports have decreased by 32% from 2008. Bylmeti Dairy acquired another dairy facility for an investment of €680,000 and Kabi Dairy purchased new refrigerated delivery vehicles for €30,000.</p>	
<p>1. Promote Consumption of Dairy Products</p> <p>This activity is designed to occur prior to and coinciding with the seasonal surplus of milk to create a spike in consumption and to competitively position Kosovo dairy products in the long term. From mid-May into early July Kosovo experiences seasonal surplus, so we will time our activities to coincide with Quarter 3. A dairy promotion planning session with dairy processors was held on March 17. Participating were:</p> <ul style="list-style-type: none"> Golaj Dairy Magic Ice Bylmeti Dairy Abi Dairy Rona Dairy Ajka Dairy Kabi Dairy Devolli Dairy 	
<p>Devolli Dairy and Bylmeti Dairy continue to export to Albania, market linkages which KPEP was instrumental in facilitating during the spring / summer over supply of milk in 2009. The level of export for this quarter is 203,760 liters of Vita UHT milk, valued at €81,504. Bylmeti Dairy exported €64,000 of peppers in cream into Albania.</p>	

2. Strengthen relationship between dairy processors and local retail chains

In Year 1, with KPEP assistance, ETC launched the ETC yogurt private label, Piti, produced by Bylmeti. KPEP has also participated in the facilitation of the development of the ETC brand soft white cheese, Rugove, produced by Magic Ice. Sales of Rugove are about €15,000 per month.

3. New Product Development (New)

KPEP assisted dairies (Bylmeti Dairy, Kabi Dairy, Erona, and Abi) to develop a sour cream cultured product, Kabi, and kaskkaval cheese. The production will be followed by a B2B event involving dairy buyers from retailers and traders as a means of introducing the new products, scheduled for May 2010.

4. Improve Packaging (New)

This activity, formerly an objective, is new as of March 29. KPEP will be proactive in addressing new product development to encompass new packaging.



Objective 3: Support Dairy Policy Development

Anticipated Results

KPEP will support MAFRD, KFVA, and stakeholders in the development and implementation of 2 dairy policies that will enable the sector to be more competitive.

Activities	Status
1. Assist MAFRD, KFVA and key stakeholders to formulate a national dairy policy	1. Ongoing
2. Assistance to implement dairy policy	2. Ongoing
3. Facilitate and build the capacity of a dairy policy working group (New)	3. Ongoing

2nd Quarter Progress

Progress under this objective has been slower than expected.

1. KPEP has delivered two policy initiatives to MAFRD, KFVA, and the dairy associations. One policy paper was to adopt dairy product specifications, a basic regulation. The other paper was to determine policy options to address government subsidized imports on the Kosovo market, which may present unfair competition. The latter paper was presented to a dairy working group which reached a consensus that the MAFRD/Customs should consider a policy of adding a charge to imported dairy product to offset the subsidy. The working group also reached a consensus that the two dairy associations work closely with KPEP to determine subsidy impact. According to the Director of KFVA the dairy product specifications will be submitted to the Prime Minister as part of the “hygiene package”, which is Kosovo’s food and veterinary regulation and under review with SANCO, the EU agency which is reviewing it for harmonization. Further assistance to build on these recommendations and develop a national dairy policy is on hold until progress is realized on the first two initiatives.

2. Assistance to implement the measures are pending government approval and adoption of recommendations.

3. Due to a lack of a “champion” to take ownership of dairy policy, KPEP has five dairy professionals from academia and the government who will be the core of a dairy policy working group. The first meeting will be scheduled in the coming quarter. The members include:

- Dr. Kurtesh Sherif, Veterinary Faculty
- Mr. Asim Mema, Head of livestock breeding, MAFRD
- Dr. Flamur Kadriu, Head of veterinary public health, KFVA
- Mr. Safet Gerxhaliu, Director of investment, Chamber of Commerce
- Mr. Bedu Abdyl, Customs

Over reaching goals and strategy for the fruit and vegetable sector.

KPEP will capitalize on the success of the first year results, over \$600,000 in export sales in peppers, and expand activity and impact through a strategic partnership with retailers and traders through a joint effort between KPEP and Horticulture Promotion for Kosovo (HPK), Intercooperation. This strategic partnership and implementer coordination will allow activity to expand beyond peppers, which remain as a core product for Kosovo. Additionally, KPEP will introduce new technology, grading, point of sale marketing and continue promoting the development of vegetable collection centers. The ultimate goal for this subsector is to establish Kosovo as a reliable supplier of high quality product in the domestic and export markets.

Current objectives.



Objective 1: Improve vegetable production

Anticipated Results	
Increase pepper yields by 10%, watermelon yields by 25%, and white bean yields by 200% with a 50% increase in farmers planting white beans.	
Activities	Status
1. New variety trials	1. Ongoing
2. New technology demonstrations	2. Ongoing
3. Expand the use of local consultants to monitor production and quality	3. Ongoing
1st Quarter Progress	
<p>Although it is the early start of the production season, progress has been very good. The new varieties have been distributed, technology procured, and consultants contracted to oversee the following activities.</p> <p>1. New variety trials KPEP and HPK have developed a shared strategy for increasing production of the vegetable value chain. KPEP and HPK agreed to co-sponsor variety trials for peppers. The 3 locations,</p>	

including one greenhouse, of six new hybrid pepper varieties will also include new technology demonstrations. The locations are Krusha e Madhe (Perdrini Association), Pristina agricultural school (VET), and Svegël (Tina Association). KPEP has published the RFP for a local consultant to manage 3 white bean trials. One new melon and one new watermelon variety in Krusha e Madhe (Perdrini Association) will be under KPEP supervision as a field trial.

2. New technology demonstrations

From December 2 - 7 a delegation of agronomists (Asim Hoxha, Feim Rexhepi), Perdrini Association member (Isa Dina), and an input supplier (Yarpak of Mamushe) attended the GroTech Fair in Anatolya and visited the Yuksel Tohumculuk, a vegetable seed production facility, and Enerji Institute, research and development, to view new technology applications. One immediate result was the order of 50,000 units of new pepper and tomato seeds, new varieties made by Yaprak of Mamushe.

Thirty new technology trials will be conducted in coordination with HPK. These trials will include early seedling production through seedling trays and soil substrate; drip irrigation and soluble fertilizer; and plastic mulch to control weeds.

3. Expand the use of local consultants to monitor production and quality

KPEP will assist the Perdrini Association to engage two agronomists and one marketing consultant for the 2010 production and marketing season, April 15 – October 31, 2010.



Objective 2: Develop vegetable infrastructure through collection centers

Anticipated Results

KPEP will help establish one or more new facilities where vegetables will be sorted, cleaned, and packed. Accomplishing this will add 2-cents per kilogram to the price of vegetables and improve the position of Kosovo as a quality supplier.

Activities	Status
1. Promote the development of fruit and vegetable collection centers	1. Ongoing
2. Develop and issue an RFA for SAF assistance to develop the collection centers.	2. Completed

1st Quarter Progress

This is an important objective and it is promising with an environmental review having been completed and submitted to USAID.

KPEP assisted Jetoni Company of Krusha e Madhe to take the initial steps to develop a vegetable collection center in Krusha. KPEP helped develop a floor plan for the facility and made HACCP recommendations. An environmental review was completed on March 28. KPEP is also assisting the company Liria in Klina in the early process of collection center development. KPEP also participated in the HPK feasibility study for a vegetable collection facility for the Mamushe Association, which may be funded by the Turkish Development Agency. KPEP has developed promotional materials and issued an RFA to identify at least 3-5 investors for collection centers.

A sorting, cleaning and packing facility is the likely model and seems to be favored by potential investors. Pre-cooling and refrigeration facilities require significant additional investment and will develop if the first steps are successful.

Objective 3: Improve fruit and vegetable processing management and technology (New)

Anticipated Results	
KPEP will assist at least two processors to become operational and assist in expansion of at least one current processor. The new processors will be HACCP ready.	
Activities	Status
1. Assist fruit and vegetable processing firms in HACCP certification	1. Ongoing
2. Provide technical assistance and support for the creation of new vegetable processing facilities.	2. Ongoing
1 st Quarter Progress	
KPEP is on track to achieve anticipated results.	
1 and 2. KPEP completed a business plan for the Krusha e Madhe Widow’s Association, prepared renovation materials and costs, and designed a floor plan, HACCP ready, for a proposed processing facility. The 55 m2 reconstruction of the building would run €346 per m2. KPEP is looking for quotes on a new building and has requested that the Association look for building site options.	
KPEP is providing assistance to the Edona Company which is proposing to build a vegetable processing facility in Krusha. The municipal assembly will take up the request for a building site in early April.	



Objective 4: Expand domestic market share and increase sales in export markets

Anticipated Results	
Kosovo becomes a reliable supplier of high quality products for fruit and vegetables for the fresh and processing markets with pre-harvest orders of 2,500 MT in 2010, compared to the 1,600 MT in 2009.	
Activities	Status
1. Develop and execute a communications strategy for the promotion of Kosovo produced fruits and vegetables	1. Completed development stage
2. Facilitate regional “sales calls” targeting Macedonia, Albania, and Montenegro	2. Planned April 13-17

<ul style="list-style-type: none"> 3. Attend regional and international trade shows: Plovdiv, Novi Sad, Tirana 4. Pepper pre-season outlook and B2B conference 5. Participate in domestic fresh fruit and vegetable working group activities. 6. Create a model market intelligence system 	<ul style="list-style-type: none"> 3. Ongoing 4. Completed 5. Ongoing 6. planned
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2nd Quarter Progress

Progress under this objective has been excellent. The Perdrini Association has already received orders from processors Bonum in Macedonia and Sega in Albania for a total of 800 MT of peppers.

1. Develop and execute a communications strategy for the promotion of Kosovo produced fruits and vegetables

The vegetable communication strategy has been completed and the initial sales sheets were developed for two pepper varieties, kurtovska and somborka. These sales sheets were used during the attendance to Fruit Logistica in February and scheduled sales calls in Macedonia, Albania, Montenegro, and Serbia.

2. Facilitate regional “sales calls” targeting Macedonia, Albania, and Montenegro

KPEP specialists and clients have made some initial inquiries in Macedonia and Albania by phone with 800 MT committed. Sales calls are scheduled for early May.

There is also interest in 1,200 MT of fresh peppers for the export market by German and Swiss buyers. KPEP will begin facilitation with buyers in April with a focus on improving packaging. Only 35 tons of a 325 ton order was exported by the Kelmendi Trade Company (Peja) in 2009 due to the poor quality of cardboard boxes.

3. Attend regional and international trade shows: Plovdiv, Novi Sad, Tirana

There has been no interest in attending regional trade shows as exhibitors or visitors; however, interest in international shows is high.

Fruit Logistica, held in Germany February 2-6, was attended by 9 participants and 1 consultant. KPEP engaged a marketing consultant, Andriy Yarmak, to provide support to the participants in guiding them around the trade show and scheduling meetings for them. Yarmak also scheduled visits to the Berlin wholesale market and a variety of food retail markets. Attendance to the trade show was cost shared between participants, HPK, and KPEP. The participants included:

- Mr. Naim Aličkaj
- Mr. Armend Malazogu

Mr. Ragip Millaku
 Mr. Muharrem Fejza
 Mr. Feim Rexhepi
 Mr. Luan Hoti, HPK
 Mr. Latif Ajeti
 Mr. Musli Berisha, KPEP
 Mr. John MacKillop, KPEP

Some of the early observations are that the participants were attracted primarily by the equipment; ETC is researching collapsible crates for fruit and vegetable handling and misting display cases to maintain product freshness, Oaza is considering purchasing equipment that will add value to vegetables delivered to restaurants as prepared for salad and garnish, and MOEA made several linkages for marketing frozen cherries.

4. Pepper pre-season outlook and B2B conference

This event was conducted on March 31 in Xerxe with over 100 participating producers, associations, retailers, and traders. Post conference discussions between buyers and sellers were conducted. The outcomes are not determined at this time.

5. Domestic fresh fruit and vegetable working group participation

The working group is comprised of KPEP, Intercooperation, traders, and food retailers with a goal of increasing domestic sales of fresh fruit and vegetables at the retail level. The core members of the working group are:

Osma Fejza, wholesaler
 Mehdi Aliu, retailer supermarket, City Park
 Ragip Millaku, retailer, Tregu I Gjelbert
 Nevair Hazeri, retailer supermarket, Benaf
 Fatos Islami, retailer supermarket, ETC
 Naim Alickaj, retailer supermarket ETC
 Alajdin Fusha, retailer supermarket, Abi
 Latif Ajeti, wholesaler / retailer, Oaza

Members of the working group participated in the Fruit Logistica trade show and conducted a B2B event at the Victory Hotel on March 17. They have also prioritized the goals for the 2010 season; grading, packing, and promotion.

The domestic fresh fruit and vegetable working group requested a feasibility study of a collection center / wholesale market in Xerxe, completed by HPK.

6. Create a model market intelligence system

Planned for Q 3.

Over reaching goals and strategy for the non-wood forest product sub-sector

The non-wood forest product (NWFP) sub-sector has not yet approached its potential to generate economic growth. Estimates for potential market expansion are €16 million by 2012. NWFP is a traditional sector which needs to adopt modern production and management practices. Much of the potential growth is related to identifying new markets and establishing

Kosovo as a reliable supplier of quality products. In Year 1, the market signaled that there is demand for NWFP products that are organic and HACCP certified. The KPEP Year 2 strategy for NWFP is to add value in the supply chain through improved harvesting techniques, collection center development to reduce transaction costs, and organic and HACCP certification.

Current objectives.



Objective 1: Penetrate new markets

Anticipated Results	
Kosovo develops new market channels resulting in new market penetration, leading to €6 million in sales in 2010.	
Activities	Status
1. Attend Trade Shows in Europe and the US	1. Ongoing
2. Provide marketing assistance and market research to the lead firms	2. Ongoing
1st Quarter Progress	
<p>The objective is on target. There is no product available at this time due to the seasonality of NWFP.</p> <p>This sector has the potential to reach annual sales of €16 million by 2012. The aggregate sector sales of non-wood forest products reached €7.5 during the last harvest and marketing season (2009), compared to €5.5 million during the previous year.</p> <p>1. Attend Trade Shows in Europe and the US The most promising trade shows have been identified and preparations to attend are ongoing. As the organic market is a key to the KPEP strategy for this sector, BioFach in Germany was targeted and KPEP supported two firms to attend as visitors this year, Mehmet Meka of the Berati Association and Visar Aliu of Besiana Company.</p> <p>KPEP will also collaborate with USAID Agribusiness Albania for a joint exhibition of Albanian and Kosovo products at the New York Fancy Food Show, June 26-28. Two companies from each project will attend and exhibit. From Kosovo EuroFood and APC will participate. Booth space has been paid for and preparations are being made.</p> <p>2. Provide marketing assistance and market research to the lead firms APC is being assisted to develop a positioning and communication strategy for 25 non-wood forest products to be sold in consumer portion packaging.</p>	



Objective 2: Develop new management and production practices

Anticipated Results
Three firms will acquire HACCP certification and four firms will enter the HACCP certification process. Two firms will acquire organic certification. KPEP will establish at least two blueberry cultivation plots and seven value adding collection centers in strategic locations to reduce transaction costs.

Activities	Status
1. Provide assistance to establish HACCP and organic certification	1. Ongoing
2. Field demonstrations for cultivation of blueberries	2. Ongoing
3. Facilitate the development of value chain efficiencies in collection management and satellite collection centers	3. Ongoing
4. Conduct the annual wild blueberry conference	4. Planned June 2010

1st Quarter Progress

Progress on this objective is on target.

1. Provide assistance to establish HACCP and organic certification

In this quarter, KPEP developed materials for training collectors on Good Wild Collection Practices. The team trained 510 collectors of wild products. KPEP will also provide technical assistance for HACCP readiness, designed to help get at least three more firms certified. Three companies received their organic certification.

Environmental reviews were completed for Berati Association and Eurofruti for modifying existing structures that will contribute to HACCP certification.

2. Field demonstrations for cultivation of NWFP

Rugova Cooperative, Peja, and Scardus Company, Strpce have shown interest in cultivating high bush blueberries and participating in the demonstrations.

3. Facilitate the development of value chain efficiencies in collection management and satellite collection centers

An RFA for the establishment of satellite collection centers for NWFP was released and 11 collection centers are planned. The centers will reduce costs and increase quality. The centers with cooling capabilities to reduce costs and improve quality will be located at:

F&V Association Eko Galic in village Socanica, municipality Leposavic (Serbian minority region)

Association Eko Sani in Prevala , Prizren municipality (Bosnian minority region)

Association Flores (2) in Dragash municipality, (gorani minority region) Company Natura, village Koretiste in Gjilan municipality

Association Natural Fruti, village Prekovc, Novo Brdo municipality

Company Fungo FF, Kamenica municipality

Company APC, Podujevo municipality

Company Besiana Ferizaj municipality

Company Fungo Kos, Kamenica municipality

Company Univerzal Gip, Vushtri municipality

4. Conduct the annual wild blueberry conference

The event, planned for June, will include cross border USAID cooperation with the USAID Agrobiz project in Serbia providing a presentation on blueberry cultivation and marketing.

2. SECTOR: CONSTRUCTION

Sector Strategy: KPEP considers the construction sector a transformational sector. This means that KPEP is willing to invest resources over and above a defined anticipated return in order to lay the groundwork for significant and lasting improvements both in the value chains and in the legal and regulatory environment.

KPEP divides the sector into the road construction subsector and the building materials subsector.

In the road construction subsector, we have been working primarily on projects that are aligned with the Ministry of Transport, and have implemented a training program for heavy equipment operators. We also plan to work with selected firms on improving operations and product quality. KPEP considers access to credit and model contracting of major importance to this sector, and has added an objective that will address these issues.

In the building materials subsector, we are in the process of identifying companies that have the interest and the ability to improve their product quality and obtain international certifications.

KPEP has also initiated a working group which will develop a licensing system for architects – such a system is currently not in existence in Kosovo, and has been providing professional development lectures to the professional and business community.

■ Success Stories ■

Road KPEP met with several local banks to recommend a product fairly new in Kosovo, which considers construction work contracts as collateral for loans. Banka Kombëtare Tregtare disbursed its first loan on such conditions to Eurokos in the amount of €600,000. This was immediately followed by another loan to Bejta Commerce, in the amount of €850,000.

Construction Materials: In this quarter, two KPEP clients, the construction company Lin Projekt and the concrete production company Fitorja continued with the business linkage established through KPEP efforts in the first year. Only in this quarter sales exceeded the value of €200,000. Jusuf Haxhimehmeti, owner of Lin Projekt said “We are very pleased with this business linkage. Fitorja is reliable in supplying us with good quality material, always on time, which contributes to efficient operations on our part”.



Heavy Equipment Operators Training for 40 students – Classroom and Field Training

2.1. SUB-SECTOR: ROAD CONSTRUCTION

Sub-Sector Strategy: KPEP's strategy in this subsector is to improve road design and upgrade the skills of construction workers. Continued progress will depend on the commitment of the Ministry of Transportation and Communication (MTC).

This quarter, KPEP finalized a draft Memorandum of Understanding and Action Plan for the Ministry of Transport and Communications regarding cooperation on a pilot road, which should serve as a best practice model for tendering design and feasibility studies for a road. KPEP is in the process of identifying the appropriate technical advisors.

The second objective of improving the skills of construction workers revolves around the establishment of a Heavy Equipment Operators Training Center (HEOTC).

Kosovo's construction workforce lacks formal training. No training programs or formal apprenticeships exist and management and supervisory staff do not have the expertise or experience to properly manage and direct road construction projects. As a result, international companies that win tenders in Kosovo tend to bring in their own workers. This program to train 40 heavy equipment operators is the first initiative to improve the skills of local construction workers.

Prior to this quarter, KPEP completed a training needs assessment, conducted a heavy equipment operator's survey, and sponsored a study tour of a training center in the US. In the past quarter, we concluded a subcontract with the US firm HeviCert to provide training to 40 heavy equipment operators. This training is now successfully underway and will conclude in April.

In Q3, KPEP will undertake a study on best practices and a business plan for an HEOTC. Work beyond these initiatives depends on the Government of Kosovo and the private sector – if they are committed to establishing the Center and have the funds to do so, KPEP will remain engaged, in particular in curriculum development.

KPEP is also planning to assist selected road construction companies to meet international standards. Local firms' ability to prove that they meet such standards will make them attractive. This objective is regarded as transactional in nature and expected to produce significant measurable results. The reason for this additional objective is again a capacity issue: international firms investing in road construction in Kosovo face difficulties in finding local firms who can prove that they have the technical requirements needed, including for products such as aggregates, pre-cast concrete products, and asphalt.

A new objective was added as a result of discussions with companies and the sector review process to help firms learn about model contracts and about access to credit. These are issues that are not specific to the construction industry and could be extended to other areas of the project as well. There is a clear need for training in contracts, and a clear need for education on access to credit and on mediation with banks. Using contracts as collateral is still the exception, not the rule, with Kosovo banks.



Objective 1: Improve local road design capability

Anticipated Results	
<p>Activities under this objective are designed to build capacity in the Government of Kosovo to review designs and ensure compliance. In Year 2, following consultant recommendations, KPEP will support and train local engineers and responsible government officials on proper technical package development for road feasibility studies and tendering of road construction. The goal is to train at least 50 road design professionals and to implement a train-the-trainers program to ensure sustainability. The target is to increase the percentage of the road design budget spent on work done by Kosovo engineers, either acting independently, or in joint venture partnerships. KPEP will train:</p> <ul style="list-style-type: none"> • 10 road designers from private practice to produce detailed designs; • 10 government officials (MTC/Municipalities) to produce conceptual designs; • 10 engineers from road construction companies; • 10 site managers from road construction companies; and • 10 top students from the universities 	
Activities	Status
<ol style="list-style-type: none"> 1. Draft and sign the MOU between KPEP and MTC 2. Provide technical assistance and training for the feasibility study and for detailed design and technical specifications 3. Produce a documentary film on safety and road design and construction. NEW 	<ol style="list-style-type: none"> 1. Drafted 2. Planned for Q3 3. Ongoing
2 nd Quarter Progress	
<p>Progress against this objective has been slower than anticipated, due to a number of factors, including lack of responsiveness on the part of the GoK, and the departure of a KPEP advisor dedicated to this effort.</p> <p>1. Draft and sign the MOU between KPEP and MTC KPEP has drafted an MOU and an Action Plan for the pilot road project. It will be presented to the Ministry in the coming quarter. The MOU commits KPEP and the Ministry to undertake a number of initiatives each for the tendering of a design and feasibility study for a model pilot road, which the Ministry has already identified, and as we understand, set the funding for the studies aside.</p> <p>2. Provide technical assistance and training for feasibility study and for detailed design and technical specifications KPEP has identified several potential candidates for the technical assistance. As soon as the MOU is signed, we are planning to deploy the most suitable advisor(s). The technical assistance includes advisory to the MTC with regard to drafting terms of reference for the bids for the design and feasibility of the pilot road, but also a lecture series on road design and road construction for students and practitioners. The University of Prishtina will host this lecture series, planned for May 2010.</p>	

3. Produce a documentary film on safety and road design and construction

KPEP has awarded this project to the local film company Koperativa. This film is designed to increase awareness about traffic safety and the quality of road design and construction in Kosovo and compares it with best practices elsewhere.

The film, which will be produced over the next few months, will be used for training of Kosovo traffic police officers and in outreach campaigns by the Kosovo Police Service (KPS), and the road construction industry. KPEP plans to broadcast it on national TV stations to increase general public awareness on issues pertaining to road construction and how they affect traffic safety.



Objective 2: Upgrade the skills of construction workers

Anticipated Results

The Year 2 Work Plan foresees that by the end of Year 2, KPEP will have trained: 40 heavy equipment operators, 5 asphalt laying equipment operators, 12 quarry workers, 20 job applicants integrated into the workforce, and 5 trainers.

Activities	Status
1. Draft and sign MOU between MTC, Road Construction Association of Kosovo (RCAK) and KPEP	1. On hold
2. Develop curriculum and start training for HEOTC. NEW	2. Ongoing
3. Take measures to establish the HEOTC as a sustainable training institution in Kosovo	3. Ongoing

Overall progress against this objective is slower than desired. At this time, KPEP does not believe it will be able to meet the anticipated results as formulated in the Work Plan, by the end of Year 2. We will meet the goal of training 40 heavy equipment operators.

1. Draft and sign MOU between MTC, Road Construction Association of Kosovo (RCAK) and KPEP

KPEP drafted an MOU to formalize cooperation between KPEP, the MTC, and RCAK regarding the establishment of a Heavy Equipment Operators Training Center (HEOTC) in Kosovo. However, KPEP decided to put this MOU on hold, until we have a business plan in hand which demonstrates that such an effort is financially feasible and viable, and that such a training center is sustainable. The business plan will be developed in Q3.

2. Develop curriculum and start a training course for HEOTC

Given the continuing uncertainties surrounding the HEOTC establishment, including where it should be located, and how it should be funded and operated, KPEP decided to give priority to the actual training. In Q2, KPEP concluded a subcontract with the US firm HeviCert, a training company, and offered a grant to RCAK, to implement a training of heavy equipment

operators in Kosovo. The training started this quarter. Two cohorts of 20 heavy equipment operators are being trained. They receive theoretical training in a class room style setting (at AAB University), and they have an equal amount of practical field training on the machines (at a quarry in Drenas, owned by the company Trasin). Each cohort’s training lasts four weeks. The trainers have received high marks from the students, and KPEP has noted that RCAK did an excellent job of setting up the training site, arranging for the loan of the road construction machines, and other logistics.

3. Take measures to establish the HEOTC as a sustainable training institution in Kosovo

As mentioned above, KPEP has drafted a SOW for the development of a business plan for the establishment of a HEOTC in Kosovo. We are currently looking for an expert to develop the plan. The person will be assisted by HeviCert. KPEP has already begun to research other HEOTCs in the region. KPEP will share the business plan and best practices information with the counterparts. Based on their outcome, and the nature of commitment by the counterparts, KPEP will make a decision on whether to move forward with this initiative. In the original draft MOU, KPEP commits itself to providing the curriculum for the center.



Objective 3: Improve the ability of selected road construction companies to meet international standards

Anticipated Results	
<p>KPEP will provide technical assistance to selected road construction materials companies to help them meet international recognized standards. Anticipated results of this effort will include:</p> <ul style="list-style-type: none"> • More than 80 civil engineers, site managers, technicians, and inspectors trained • More than €300,000 in new investment by assisted firms to improve technical productions standards • Local firms will realize sales of €20 million for asphalt. 	
Activities	Status
1. Assist lead road construction companies and producers improve operations	1. No Activity this Quarter
2. Assist lead road construction companies and producers improve production processes and meet standards	2. Ongoing
2 nd Quarter Progress	
<p>Progress in achieving results under this objective is behind due to KPEP staff turnover. At this time, KPEP does not believe it will be able to meet the anticipated results by the end of Year 2.</p> <p>1. Assist lead road construction companies and producers to improve operations There are no on-going initiatives under this activity.</p> <p>2. Assist lead road construction companies and producers improve production processes and meet standards</p>	

KPEP issued an RFP for a licensed lab to test aggregates from three quarries in Kosovo.

○ **NEW: Objective 4: Improve management practices and operations of selected construction firms, focused but not limited to road construction firms, including assistance in contracting and access to credit**

Anticipated Results	
Assisted firms will improve management practices leading to better access to credit, and more sophistication in contracting. At least 15 firms attend each of the seminars. Assisted firms demonstrate: <ul style="list-style-type: none"> • Better and more efficient contracting relationships • More loans to construction firms that are not based on real estate collateral 	
Activities	Status
1. Seminar on model contracts	1. Planned
2. Seminar on access to credit	2. Planned
2 nd Quarter Progress	
This is a new activity. It will begin in Quarter 3.	

2.2. SUB-SECTOR: CONSTRUCTION MATERIALS

Sub-Sector Strategy: The strategy for the construction materials sub-sector focuses on improving the architectural design and engineering services and assisting building materials manufacturers to be more competitive in meeting local, regional and international demand. The activities include a professional training organization, licensing process support, and technical assistance to improve product quality, to internationally certify products, to train on marketing and sales, and to support business linkages.

We have identified a need for targeted training not only for design professionals but also for other participants in the building materials value chain. Topics where KPEP has identified gaps include how to develop better technical information for designers and manufacturers, as well as how to draft written technical specifications.

The other focus for KPEP is the broader building materials sector. To date, we have identified 5 manufacturers who are interested in, and have the ability to absorb the assistance that KPEP plans to provide. They are: Brick Factory Tulltorja from Landovice/Prizren; Paints Factory Ecocolor in Vushtrri; PVC and Aluminium Doors and Windows Factory ABC Plast in Prizren; Steel Construction for Aluminum Windows Factory Profimetal in Prizren; and Cable Factory Progresi in Gjilan. This includes assistance to improve product quality, obtain recognized certifications, and improve marketing and customer services practices.



10-11 March 2010 Second seminar in a series of at least three training seminars / workshops planned for the year.



Objective 1: Improve architectural design and engineering services

Anticipated Results

The expected results of this objective are to increase the professional development of design and building construction industry practitioners including architects and engineers, building contractors, government regulators and building materials manufacturers. This objective will advance the knowledge base of all practitioners in the industry. Our target is to hold at least three seminars during the year and to reach at least 40 professionals (20 individually employed architects; 10 company employed architects; 10 post-graduates and architectural students and other stakeholders in the building materials value chain). These seminars are aimed at solidifying existing expertise, and introducing the professional community to international practices and standards.

In addition, KPEP will help establish a formal working group that will develop, with the assistance of an advisor provided by KPEP, a system for licensing of architects and engineers, which will include as well a continuing education program for the profession. Expectations include producing specific recommendations necessary for establishment of a licensing process; giving evaluative opinions on the Ministry of Environment and Spatial Planning (MESP)-led Working Group’s (WG) development of architectural and engineering licensing processes in Kosovo; and, in cooperation with the WG, defining the administrative and content requirements for a professional examination for architects.

Activities	Status
<ol style="list-style-type: none"> 1. Train engineers, architects, regulatory officials and other participants in the building materials value chain on writing technical information and specifications and other subjects as determined by value chain focus groups, industry participants and international experts. 2. Support stakeholders on establishing the process for licensing of architects and engineers 	<ol style="list-style-type: none"> 1. Ongoing 2. Ongoing

2nd Quarter Progress

Progress under this objective is satisfactory. The goals under the first activity have already been exceeded in terms of the targeted number of professionals participating in

the Seminar. Progress under the second activity is satisfactory to date. Much will depend on the level of cooperation shown by MESP.

1. Train engineers, architects, and other participants in the building materials value chain on writing technical information and specifications

The second in a series of at least three training seminars / workshops planned for the year was conducted on March 10-11. KPEP organized and facilitated two day-long sessions entitled "Construction in Kosovo: Opportunities and Challenges for the Kosovo Building Industry". Architects, engineers, construction and design companies, building materials manufacturers and official authorities were the target audience. The seminar topics were:

1. Professional Licensing for Architects
2. Client – Architect Relations for Architects
3. Writing Effective Construction Specifications
4. Using Specifications During Construction

About 60 individuals attended each day.

- 52 seminar evaluation surveys were returned.
- 49 of 52 respondents indicated that the seminars “met or exceeded their expectations”.
- 48 of 52 respondents rated the topics and instructional methods “excellent” or “very good”.
- Written comments were also collected from the surveys that will be used to help guide future planning for this activity.

This series of construction sector educational efforts will continue, with the next two day seminar sessions scheduled for May, 2010.

2. Support stakeholders on establishing the process for licensing of architects and engineers

This activity is meant to set up a procedure for licensing of architects and engineers. KPEP identified and engaged an STTA who will support a working group (WG) that will deliberate on the systems and processes needed for the establishment and implementation of such a licensing system. The STTA hired for this effort came on an initial fact finding mission to Kosovo, met with the primary stakeholders, and delivered a report on the current status and recommendations on how to move forward.

On March 12 the advisor had an initial meeting with some of the prospective members of the WG and discussed the goals and tasks that the group is likely to have. The advisor also outlined the support he would provide.

On March 25, KPEP and the MESP signed an agreement to jointly work on the establishment of a licensing system of Architects and Engineers appropriate for Kosovo.

On April 8, the Ministry of Environment and Spatial Planning formalized the Working Group on licensing.



Objective 2: Assist selected building material manufacturers to be more competitive in meeting local, regional, and international demand

Anticipated Results

KPEP will select (through a RFA or similar process) at least 10 local producers of building materials (likely terracotta products, blocks and bricks, electrical wiring, paint, doors and

windows, flooring, steel products in construction, and plaster) and assist them to become more competitive both domestically and in targeted export markets. To the extent that certification is a prerequisite for exports of specific products and materials, KPEP will support these firms in their goal to achieve such international certification. Assisted firms will improve the quality of products and services, improve production efficiency, and as a result, increase sales, and create new jobs. KPEP will also support local producers to participate in trade shows and B2B’s events so that they can establish new business linkages.

Anticipated results would include:

- 3 locally manufactured building products receiving international certification
- Assisted firms realizing €1.5 million in increased sales
- 20 new jobs created within assisted firms
- At least one firm exporting a product to a new market

Activities	Status
1. Identify firms and products with high potential for import replacement and export	1. Ongoing
2. Provide technical assistance to target companies to improve production efficiency and meet international standards	2. On hold
3. Improve marketing, business linkages and customer services	3. Ongoing

2nd Quarter Progress

In mid February, KPEP hired a new Construction Specialist to get more traction on the Construction Materials sub sector. Since then, good progress has been made. However, a lot of work is needed to accomplish the goals set in the Workplan by the end of Y2.

1. Identify firms and products with high potential for import replacement and export

In Q1, KPEP began identifying and contacting building materials companies that were considered potential candidates for a technical assistance program. When the new Construction Specialist came on board in February, he visited most of these firms to assess their potential for participating in the program.

On March 9, KPEP organized a meeting with interested building materials manufacturers (BMMs) to discuss the program of *targeted assistance* to qualified Kosovo building materials manufacturers. The meeting also helped KPEP understand the perceived needs of the sector and prioritize the planned efforts of the program. This kind of meeting is expected to be held regularly during the time the Construction Sector Advisor is present in Kosovo.

To date, KPEP has identified five firms that expressed interest in participating in the assistance program. KPEP is evaluating them in order to determine what assistance is most appropriate for these companies. The next step is to draft and sign MOUs with them. KPEP will continue parallel work to identify more manufacturers in order to meet the target of ten companies.

2. Provide technical assistance to target companies to improve production efficiency and meet international standards

As soon as the MOUs with BMMs are signed, the identified assistance needed for BMMs

will commence.

3. Improve marketing, business linkages and customer services

Most of the manufacturers are interested in marketing and sales training, as the initial phase of assistance. An SOW for a local consulting firm is being prepared.

3. SECTOR: FORESTRY AND WOOD PRODUCTS

Sector Strategy: The overarching goal of the forestry sub sector is to increase the supply of local wood for the processing industry, including access to certified wood. We will work on forestry certification, combat illegal logging, and pilot better forest management practices under the new law on Public Private Partnerships (PPPs). We will also improve tendering procedures and continue efforts to use biomass as a renewable energy source.

3.1. SUB-SECTOR: FORESTRY

Sub-sector Strategy: Kosovo’s forestry sector is confronted with the reality that market access is severely limited unless wood originates from certified forests and wood products can be traced through a certified chain of custody (CoC). Certified wood products will be the rule rather than the exception in Europe and North America, and to be competitive Kosovo must address certification. Of the ten principles and criteria to which Kosovo must comply for certification, illegal logging is the greatest challenge. The Year 2 strategy for KPEP Forestry will be to move forward with forest certification and to implement a parallel effort to address illegal logging.

Although an effective program to address illegal logging is a principle within FSC, KPEP will implement a strategy to reduce illegal logging as a parallel effort. Illegal logging is pervasive and extremely costly. Past efforts to address illegal logging have failed due to the lack of a strategic approach. KPEP’s Year 2 strategy will involve 1) public awareness; 2) community involvement; and 3) law enforcement.

The law on forests limits forest concessions/leases to one year, but KPEP can assist the Ministry of Agriculture, Forestry and Rural Development (MAFRD) to develop a more transparent process in developing, issuing and awarding tenders. There may also be options in developing renewable leases based upon a harvesting company’s development of a long term forest management plan or adherence to an existing plan. The most effective approach would be to integrate regional best practices into the tendering process.



Objective 1: Forest certification through Forest Stewardship Council

Anticipated Results	
The timetable established by KPEP anticipates that Kosovo could have two forest management units certified in October 2011 and one additional forest management unit certified by September 2012.	
Activities	Status
1. KPEP Forestry Specialist will chair the Kosovo Standards Development Group	1. Ongoing
2. Develop a forest certification manual	2. Completed
3. Develop Forest Stewardship Council Standards	3. Completed
4. Identify at least 3 forest management	

units for forest certification	4. Completed
5. Forest certification gap analysis	
6. Forest certification training for the local stakeholders and communities within the candidate forest management units	5. Completed initial analysis 6. Ongoing
7. Forest certification training for Ministry of Agriculture, Forestry and Rural Development (MAFRD) personnel	7. Planned
8. Conduct pre-certification forest testing	8. April 2010
9. Chain of custody training for Association of Wood Processors of Kosovo (AWPK)	9. Planned
10. Conduct a forest certification assessor's training	10. Planned
11. Execute a forest certification communication plan	11. Ongoing

2nd Quarter Progress

Progress on this objective has exceeded expectations. The process is ahead of schedule.

1. KPEP Forestry Specialist will chair the Kosovo Standards Development Group

The KPEP Forestry Specialist chairs the Kosovo Standards Development Group, whose members in addition to the chair, are:

- Elez Krasniqi, University of Pristina, president of environmental chamber
- Naser Bresa, Ecological Association of Prizren, environmental chamber
- Agron Millaku, MESP, environmental protection, environmental chamber
- Hajrush Kurtaj, MAFRD, president of economic chamber
- Bekim Topalli, MAFRD KFA Ferizaj, economic chamber
- Sasa Vukadinovic, SOE Hrast, economic chamber
- Naim Ramadani, Assoc of Forest Engineers, president of social chamber
- Bashkim Gashi, Private Forest Owner Assoc, social chamber
- Nijazi Tershnajku, Hunting Federation of Kosovo, social chamber

During this quarter the Standards Development Group met twice. First on January 23 for the national workshop on Kosovo's forest certification standards and on March 24 to discuss the field testing of Kosovo's forest certification standards.

2. Develop a forest certification manual

The certification manual is a layman's publication and part of the forest certification

communication plan. It is posted on the KPEP website in Albanian, Serbian, and English.

3. Develop Forest Certification Standards

The first draft of Kosovo's forest standards for certification under the Forest Stewardship Council were developed by the Standards Development Group in December 2010. KPEP issued those standards for public comment to the Consultative Forum and other stakeholders, as well as the general public, until February 22. Additionally KPEP conducted five regional public meetings to discuss forest certification and the standards, attracting more than 180 participants.

On February 23, KPEP convened the first national workshop with 50 participants, to revise the standards based upon public comments received. This resulted in the second draft of Kosovo's forest standards for certification, which are currently published on the KPEP website.

4. Identify at least 3 forest management units for forest certification

Dragash, Koritnik II
Kaqanik, Ahisht
Decan, Kozhnjer

5. Forest gap analysis

KPEP conducted the initial gap analysis on forest management units, coordinating the work with the KFA directors in Prizren and Ferizaj. The gap analysis is patterned after the forest certification standards. The Kosovo standards have 10 principles; each principle has a series of indicators which need to reflect that the forest management unit is in compliance with the principles. In the gap analysis KPEP reviewed the indicators and determined whether the forest management unit was in compliance and if not, the action required to be compliant.

6. Forest certification training for local stakeholders and communities within the candidate forest management units

Planned for fourth quarter of the year.

7. Forest certification training for Ministry of Agriculture, Forestry and Rural Development (MAFRD)

Training has been conducted with KFA forest management personnel under the gap analysis but more extensive training of personnel will be conducted in the fourth quarter of the year.

8. Conduct pre-certification training

An international auditing firm, recognized by the Forest Stewardship Council, has been identified and a subcontract is being prepared.

9. Chain of custody training for Association of Wood Processors of Kosovo (AWPK)

The training will coincide with the AWPK general assembly meeting in June. The initial training is designed to introduce the AWPK, which has a representative on the SDG, to the next level of certification, the chain of custody. Subsequent trainings and implementation of chain of custody will be in Year 3.

10. Conduct a forest certification assessor's training

The forest certification gap analysis has served as an introduction to municipal forest management unit personnel in two forest management units. Training a wider audience is planned in August or September, dependent upon the submission of Kosovo's forest

certification standards to the FSC.

11. Execute a forest certification plan

The communication plan is ongoing, primarily through the KPEP web site. Additionally interviews with the forest certification consultant, Ratko Matosevic, are conducted with the media. Once the forest certification standards are accepted by FSC, KPEP will develop an event to highlight the accomplishment.



Objective 2: Reduce illegal logging

Anticipated Results

Increased awareness among key stakeholders and the population in general about the extent and adverse effects of illegal logging. Development of a national strategy with key stakeholders to include increased public awareness, local community involvement, and greater efforts by law enforcement. Illegal logging activity in the forest certification management units, identified in Objective 1, will be reduced.

Activities	Status
1. Develop a national strategy to reduce illegal logging	1. Completed
2. Implement key measures under the national strategy developed under Activity 1	2. May 10 - 27

2nd Quarter Progress

We are moving forward under this objective, but it is unclear if the interventions identified will be effective in reducing illegal logging in target management units.

1. Develop a national strategy to reduce illegal logging

The current Law on Forestry refers to the creation of a Forest Body that would coordinate and monitor the Kosovo Forest Agency, law enforcement relative to illegal logging, and prosecution of offenders. The national strategy document produced by KPEP recommends that the Forest Body be quasi independent of MAFRD and report to the Prime Minister, much like the KVFA. This body would then be the key driver of the strategy to coordinate efforts on law enforcement, public awareness, and community involvement.

2. Implement key measures under the national strategy report developed under Activity 1

For the strategy to be effective it needs stakeholder input and ownership. The recommendation is to develop a Forest Board which can develop and execute an action plan and report to the Prime Minister. In discussions with key stakeholders, KFA and the Standards Development Group, it was determined that a national Forest Board, reporting to the Prime Minister was much too ambitious. The decision was made to develop a localized pilot Forest Board at the municipal level. Decan Municipality was selected due to the potential to reduce illegal logging, the KPEP Forest Specialist’s familiarity of the region, the support of the mayor, Rasim Selmanaj, and the fact that a forest management unit is targeted for certification. The initial work on the Decan Municipality Forest Board will begin on May 10 when the consultants, Harou and Hajredini are available. ECLO, natural resources office, has been informed of the pilot.



Objective 3: Improve government leasing and tendering practices

Anticipated Results	
Improved understanding on the part of key stakeholders of international best practices in tendering and leasing procedures for forest assets. Specific reform measures adopted by government. In the long run, we anticipate that there will be improved access by local wood processors to timber from public forests and better long term management of forest assets.	
Activities	Status
1. International best practices study	1. Ongoing, completed by May 15
2. Promote awareness of international best practices among key stakeholders	2. Planned
3. Support the development of Forestry PPP Model Contract	3. Planned
2nd Quarter Progress	
Progress under this objective has been slow, but we expect to get more traction in the upcoming quarters.	
1. International best practices study	
KPEP engaged a local company, Natural Resources Solutions (Ergin Hajredini), to conduct the best practices study. During this quarter the desk top research was completed. As recommended by the Forest Stewardship Council, visits to countries with best practices, including Slovenia, Montenegro, and Romania were planned. Unanticipated visa issues prevented this work from being completed during the quarter. The issues have been resolved and the work will be completed by May 15.	
2. Promote awareness of international best practices among key stakeholders	
Activity 2 will be implemented once the best practice study is completed and results analyzed.	
3. Support the development of Forestry PPP Model Contract	
In the next quarter we plan to develop a model medium-term forestry PPP contract for sustainable forestry management by private firms. Once complete we will develop appropriate education, outreach, and awareness events.	



Objective 4: Promote use of bio mass as an alternative energy source

Anticipated Results	
At least one new investment in biomass production using wood and forest waste in the production of briquettes and/or wood pellets.	
Activities	Status
1. Key measures identified in feasibility study undertaken in Year One are implemented with support from KPEP	1. Completed
2 nd Quarter Progress	
Progress under this objective is satisfactory.	
The biomass feasibility study, which will also serve as a guide to investment in biomass, was	

completed. The study indicates that biomass pellet production generates a 32% return on investment. Briquettes, which is often a precursor to pellets, yields a 15% return on investment. Potential employment is 9 people in the production facility per shift and additional employees involved in transportation and collection. The key to a successful biomass operation is regular and unimpeded access to waste product, including access to publicly owned forests. KPEP has identified three potential investors and contacted one such investor, MV Lesak, to discuss expanding his wood processing operation into biomass production, initially briquettes and in the future, pellets. The key to MV Lesak’s position is a 5 year lease from a SOE to collect wood harvest waste from publicly owned forest land. MV Lesak had applied for strategic activities funding for support in the purchase of a drier to fit into the biomass line. KPEP has made a positive recommendation on his grant request for a drier.

3.2. SUB-SECTOR: WOOD PRODUCTS

Sub-Sector Strategy: The first year strategy for this sub-sector focused on developing new markets and products as well as strengthening AWPK. KPEP continues implementing this strategy, and will invest more effort into understanding the needs of high potential markets and development of new products that meet these international standards. Because this sector has already shown promising results, KPEP will expand the sector strategy to assist the wood processors with improving their production techniques and business practices. Planned activities in this area will include training on business finance, such as understanding a company’s cost of production, improving the manufacturing process, development of export plans, and technology transfer.

KPEP will further continue its efforts of building capacity at AWPK, to include assistance with annual planning, both programmatic and operations, training in advocacy, and development of additional services to its members.

KPEP expects that as a result of Year Two efforts the wood processing sector will have a better understanding of the end markets and how to produce for them, a better understanding of their own operations, an appreciation for internships and on-the-job training, and that the Association will become a more sophisticated provider of services with a broader membership base and improved long-term financial sustainability.



Picture 1: Ready made boxes for export market by Deva Company



Picture 2: Budva Fair Manager and AWPK members



Picture 3: Ahikos successfully produced a chair frame for the UK market



Objective 1: Developing new markets and new products of international quality standards

Anticipated Results	
<p>KPEP will work with client firms to develop at least four new products or new designs for existing products. The export market is attractive and as wood processors learn more about the end market, they will respond by entering into at least three new markets.</p>	
Activities	Status
1. Develop new business linkages	1. Ongoing
2. Participate in both regional and international trade shows	2. Ongoing
3. Identify and develop new products	3. Ongoing
2 nd Quarter Progress	
<p>Progress in this area has been satisfactory. More than four new products have already been developed and, based on new business linkages, we anticipate that Kosovo will sell into at least three new markets.</p>	
<p>1. Develop new business linkages</p> <ul style="list-style-type: none"> • Vimmar Spellgoed /Netherlands and Tefik Canga Design/Ferizaj – Manufacturing of seven types of children’s chairs. • Vimmar Spellgoed/Netherlands and Hilmi Deva, Gjakova – Manufacturing of wooden boxes. 500 pieces were produced and delivered. • Pass Product/Denmark and Kosovawood/Peja – Cabinets and kitchen tables are in development for Pass Product’s EXTENZI line. • Pass Product/Denmark and Elnor/Pristina –Chairs, in development. • Pass Product/Denmark and Hilmi Deva/Gjakova –Benches, in development. • Finline Furniture/Ireland and Ahikos/Ferizaj –Queen Anne chair developed. 	
<p>2. Participate in regional and international trade shows</p> <ul style="list-style-type: none"> • Korenica/Rahovec exhibited at the construction materials trade fair Swissbau/Basel in January 2010. Korenica is in negotiations with several buyers they met at this fair. 	
<p>3. Identify and develop new products</p> <ul style="list-style-type: none"> • Seven types of children’s chairs, Tefik Canga; • Wooden Boxes, Hilmi Deva; • Both products required setting a new production line. They were developed at the request of Vimmar Spellgoed from the Netherlands. Hilmi sold a first order in the value of €2,900 to Vimmar Spellgoed. • Kitchen tables with extensions, red beech cabinets, both made by Kosovawood; red beech chairs, made by Elnor; red beech benches made by Hilmi Deva. All companies produced samples for the buyer, Pass Product from Denmark. The buyer will inspect the products during the next quarter. If the products pass inspection, they will be exhibited by Pass Product at the MOW trade fair in Barntrup, Germany in April. 	



Objective 2: Improve production techniques and business practices

Anticipated Results	
<p>Companies will better understand their internal cost structures, have plans in place for improving processes and increasing exports, and develop furniture design skills. In the long run, wood processors have higher quality products and increased market share.</p>	
Activities	Status
1. Provide training on business finance	1. Ongoing
2. Support the development of export plans	2. Ongoing
3. Provide assistance to improve manufacturing processes	3. Ongoing
2 nd Quarter Progress	
<p>Progress in this area has been satisfactory. Assisted firms will reduce costs and meet quality requirements of international buyers.</p> <p>1. Provide training on business finance KPEP conducted manufacturing cost analyses with 6 companies developing new products: Kosovawood, Tefik Canga Design, Ahikos, Elnor, Hilmi and Deva. The companies gained knowledge about cost centers, and possible cost reductions are in process (5% cost reduction to client companies overall – KPEP estimation).</p> <p>2. Support the development of export plans Through better end market information, wood processing companies will be able to develop a plan that targets a specific market with a strong product. For example: Kosovawood will focus on solid wood furniture; Elnor on medium and high end chairs; Lesna in foiled furniture (products for UK market); Ahikos on medium and high end upholstered chairs. By fulfilling the quality requirements of the international buyers, companies will be able to compete both domestically and in the export market.</p> <p>3. Provide assistance to improve manufacturing processes KPEP has assisted several companies improve their manufacturing processes. STTA William Vernon developed market linkages for export and helped with new product development and improvements to the manufacturing processes, for the companies and products described above. KPEP initiated business contacts between Tefik Canga Design and MV Lesak from Leposavic; between Hilmi Deva and Korenica. Korenica was part of the supply chain during the manufacturing of wooden boxes by Hilmi Deva for the Dutch buyer.</p>	



Objective 3: Strengthen the Association of Wood Processors in Kosovo (AWPK)

Anticipated Results
<p>KPEP’s goal is to improve the financial sustainability of AWPK, as well as its ability to provide value-added services to its members, including lobbying and advocacy, and provide information to its members. We expect that AWPK’s rating on the KPEP Association</p>

Development Index increases as a result of these initiatives.	
Activities	Status
1. Assist AWPK in developing and implementing its annual plan	1. Complete
2. Support AWPK in participating in international initiatives	2. Ongoing
3. Support Kosovo Standards Agency (KSA) and wood products development committee to identify, adapt, and implement EN standards	3. Ongoing
2 nd Quarter Progress	
<p>We are very satisfied with progress under this objective.</p> <p>AWPK is on target to become a mature organization, providing valued member services for which the membership is willing to pay. 70% of its annual income comes from the Natyra Fair, held annually in Pristina, and from organizing visits and exhibitions to regional and international fairs. KPEP and AWPK are jointly developing a number of projects that will benefit the wood industry and help ensure the Association’s financial sustainability.</p> <p>1. Assist AWPK in developing and implementing its annual plan KPEP coordinated with GTZ to develop the AWPK annual plan.</p> <p>2. Support AWPK to participate in international initiatives</p> <ul style="list-style-type: none"> • Seven AWPK members will exhibit at the Budva/Montenegro Furniture and Wood Processing Trade Fair April 7-11. KPEP worked closely with AWPK on preparations and logistics. KPEP delivered a training on fair participation and Marketing & Negotiations for market access. • KPEP met with SIPPO (Swiss Import Promotion Program) representatives in Skopje, Macedonia. Two possible joint activities are participation in Bau Fair in Munich and Ambiente in Frankfurt in 2011. • KPEP assisted AWPK members to set up relationships with the Swiss Contact -Senior Expert Corps (SEC) Program. SEC will help Gacaferi with market linkages, and Druri-V from Rahovec with improvements in sawmilling and manufacturing techniques. • AWPK is now recognized by the European Federation of Wood Processors (EUA) and European Commission and was invited to the EUA meeting in Brussels (March 2010). • KPEP assisted AWPK to develop an Internship Program for Wood Processing. Seven companies have hired 16 interns. • KPEP funded a skills gap analysis of the wood processing sector, a comprehensive survey of the skills available in the sector and those needed by the firms. • KPEP has also nominated AWPK as a participant in the study tour for advocacy and lobbying, which is funded by World Learning, and will take place in Q2. <p>3. Support Kosovo Standards Agency (KSA) and wood products development committee to identify, adapt, and implement EN standards No activity in this quarter.</p>	

4. SECTOR: INFORMATION AND COMMUNICATION TECHNOLOGY

Sector Strategy: ICT is a relatively new, small, and emerging industry sector in Kosovo. As a result, KPEP is treating ICT as a “transformational” sector, investing in foundational activities which are laying the ground work for future growth.

The Y2 activities are designed around four objectives:

- 1) Improve marketing and sales capabilities for selected firms and expand market linkages,
- 2) Improve workforce skills and support job placement services in the ICT sector,
- 3) Strengthen the ICT Association, and
- 4) Improve the legal and regulatory environment for the ICT sector.

KPEP has made very good progress in two objectives – those related to workforce development and to association capacity building. However, in the policy arena we have experienced delays, in particular with regard to our efforts to register the .ks top level domain name, due to factors outside of KPEP’s control.

As a result of the Study on Call Centers completed by KPEP in Q1, we are planning to add two new activities under the same objective: Assist in the development of Call Center Training (curriculum, equipment, etc), and commission the development of a Call Center Operating Manual.

■ Stakeholder Insight ■

A functioning Internet Exchange Point (IXP) in Kosovo will lower the cost and enhance security of communications. It will contribute to the development of the ISP market in Kosovo and it will create conditions for development of new innovative commercial services which were hardly conceivable without a functioning IXP.

“Building an Internet Exchange Point in Kosovo is an important objective and project in the TRA work plan for 2010. With the help from KPEP we have been able to initiate the stakeholder consultation process in an effective way and proceed ahead with our plan. With the continuing support we are receiving both in technical and legal matters, we hope to have the regulations in place and the physical setup completed in due time this year.”

Ekrem Hoxha, Chairman
Telecommunications Regulatory Authority



Picture 1: KPEP DCOP addressing attendees of the CRM training.



Picture 2: Lively discussion at the PMP training



Picture 3: KPEP consultant Messina talking to Kosovo association representatives

Objective 1: Improve marketing and sales capabilities for selected firms and expand market linkages

Anticipated Results

By improving the marketing and sales capabilities of select firms, creating new market linkages, and preparing marketing strategies for penetration into these new markets, the assisted firms will realize increases in sales and exports. Specific goals include:

- Increased sales of products and services by companies participating in B2B events. At least two new sales contracts achieved within three months of the event.
- 10 percent increase in the value of contracts outsourced to local ICT companies both

by the GoK and by international companies.

- Kosovo call centers obtain inbound business. At least 50 people employed in inbound call centers.
- The B2B portal reduces the cost of the bidding process by providing tender documents, repository of information on past projects, and enhanced transparency in the GoK tendering process; the portal becomes a one stop shop for all government tenders.
- At least 30 companies from Tourism and other KPEP sectors participate in the E-Marketing Workshops, acquire the knowledge to improve their marketing, and harness the potential of a new online channel for increased sales.
- An ICT Fair in Pristina is successfully organized by the ICT Association. Corporate participation increases by at least 20 companies. The fair enables networking and building business relationships between sellers and buyers, and thus a potential for increase of sales.
- Participating companies learn Customer Relationship Management techniques, which enable them to increase sales and realize better customer management and higher customer retention.

Activities	Status
1. Regional ICT B2B events	1. Planned for Q3
2. Workshop on Outsourcing	2. Ongoing
3. Support for the development of inbound call centers	3. Planned for Q3
4. B2B Portal	4. Under Review
5. E-Marketing Workshop	5. Completed
6. ICT Fair in Pristina	6. Planned
7. Training in ICT Sales and Customer Relations Management (CRM)	7. Planned for Q3

2nd Quarter Progress

The proposed activities under this objective and the expected results may have been too ambitious. Some of the planned activities may not be implementable, and we may not be able to reach all our planned targets by the end of Q2.

1. Regional ICT B2B events

KPEP contracted with the ICT Association (STIKK) in Q1 to organize, in collaboration with the ICT Association of Albania (AITA), two regional B2B events; one in Kosovo and one in Albania. Initially proposed by the Association for December, but postponed due to the low level of interest, the proposed event in Tirana has been rescheduled for mid-May 2010. The question of the level of interest remains. At a recent regional IT B2B in Macedonia, only two companies from Kosovo attended.

2. Workshop on Outsourcing

This activity will be implemented by STIKK, jointly with IPAK, in Q3. KPEP is providing the advisor.

3. Support for the development of inbound call centers

The study of call centers in Kosovo, completed by Index Kosova in January, provided a very good overview of the sector (the study is published on the KPEP website). KPEP's aim is to provide technical assistance to interested call centers to help them do more inbound business, in keeping with one goal of the national FDI strategy, which is to focus on Business Process Outsourcing. The results of the study showed tremendous developments in the call center sector happening in a very short time, and suggested areas of intervention. The survey results fed into the design of the 'Workshop on Outsourcing' where the study will be presented to a targeted audience. KPEP plans to have two additional sub-activities under this activity: support in developing training for call center agents and producing a manual/toolkit on operating a call center business.

4. B2B Portal

The activity is under review internally in KPEP due to questions about its long term sustainability. Additional analysis is currently being undertaken to gauge financial viability and options for organizational design.

5. E-Marketing Workshop

Following a successful workshop on e-marketing for the ICT sector in Year 1, KPEP organized a second workshop on e-marketing for tourism companies on December 4, 2009. It educated experience providers about the e-marketing tools available to them, and encouraged networking opportunities between tourism and ICT companies, the latter being potential providers of the e-marketing services. The workshop attracted 25 tourism providers and three ICT companies.

6. ICT Fair in Pristina

KPEP plans to support the ICT Association to organize the annual ICT Fair in Pristina, planned for Q3. STIKK had been considering providing assistance to CEO-Kos, the Kosovo fair company, rather than organizing the fair itself. However, it is not clear whether CEO-Kos will in fact organize such a fair. KPEP is discussing options for assistance in either case.

7. Training in ICT Sales and Customer Relations Management (CRM)

This training is set up for April. It will be organized by STIKK and the advisor is a proven CRM specialist.



Objective 2: Improve workforce skills and support job placement services in ICT sector

Anticipated Results

Improved workforce quality will be demonstrated by an increase in the number of local ICT professionals with internationally-recognized certifications; increased employment and retention of ICT professionals; increased number of Kosovo ICT professionals with PMP certifications; and increased capacity of ICT firms to manage and successfully complete complex projects.

- Approximately 50 people trained in internationally recognized certification programs, out of which 10-20 % achieve final certifications.
- Approximately 10 people trained and certified with internationally recognized PMP certifications.

<ul style="list-style-type: none"> ▪ Security skills training programs develop and become available in Kosovo. Approximately 5 people certified in security disciplines. ▪ 50 youth successfully recruited within three months of the fair date. 	
Activities	Status
1. ICT Vendor Training and certification	1. Ongoing
2. PMP Training and certification	2. Ongoing
3. Information Security Capacity Building (changed from Cyber Security Training)	3. Ongoing
4. ICT Job-Fair (organized together with Workforce Development)	4. Completed
5. Feasibility Study on ICT Business Incubator	5. Completed
2nd Quarter Progress	
<p>Progress under this objective is satisfactory, however, additional efforts will have to be made to achieve all the numeric training goals.</p>	
<p>1. ICT Vendor Training and Certification</p> <p>The ICT Training and Certification continue from Year 1. 35 candidates are now enrolled in the ICT training series. KPEP offers cost sharing for both, the training and the certification, but the reimbursement is offered only upon achieving certification. However, KPEP has learned that individuals and employers consider completion of the training as a desirable qualification, even when the trainee did not get certified.</p>	
<p>2. PMP Training and Certification</p> <p>With support from KPEP, MDA became a Registered Education Provider for PMP. The first group of 10 trainees completed the training during February 8-12. MDA plans to continue to offer the training every two months. The second group has been announced for April 12-16. MDA is working with the certification authority for PMP, Prometric, to accept Kosovo as a testing center location, which would allow for on-line testing to take place (currently there are test centers in Sofia and Thessaloniki). The other option, if Kosovo is not accepted as a computer based testing center, is to have paper-based testing, which requires bringing in Prometric examiners to administer the test. In this case, testing dates would be fewer, and the test groups larger.</p>	
<p>3. Information Security (IS) Capacity Building (changed from Cyber Security Training)</p> <p>KPEP has learned from the IT Supply-Demand Survey that there is a strong interest in IT company level security certifications, such as ISO 27000. In addition, trained professionals are needed to support Information Security (IS) projects. As a result, KPEP will engage an STTA to conduct an assessment of the IS needs in the sector and to select the 3 to 4 most qualified and interested companies, which KPEP will then support with ISO certification on a cost share basis. We will also support IS training and certification for up to five qualified professionals.</p>	
<p>4. ICT Job-Fair</p> <p>The ICT job fair took place on December 16. Eight participating companies announced 30</p>	

vacancies, for which close to 1,000 candidates applied. However, despite the innovative approach (on line application and selection) and the strong interest on the part of the job seekers, the results are much below our expectations. We will contact companies in the next quarter for an update on hiring. Feedback from the firms was that there are big gaps between the skills the companies need and what the candidates had to offer. This information will be used to inform KPEP with respect to further needs for training.

5. Feasibility Study on ICT Business Incubator

Two international consultants conducted a feasibility study for an ICT Incubator in Kosovo earlier this quarter. This initiative came out of discussions with interested stakeholders, including AUK and Microsoft. The study, which analyzed stakeholder and client interest, funding and access to capital, and physical and telecom infrastructure, confirmed that an ICT incubator in Kosovo is viable. We have shared the study with other donors, including the Government of Norway (GoN), which has announced plans to establish such an incubator in Kosovo. We understand that the GoN has the funds to establish and run the incubator. KPEP has communicated to the Embassy of Norway that we are ready to provide technical assistance.

 **Objective 3: Strengthen ICT Association**

Anticipated Results	
<p>The anticipated results for this objective is for the ICT Association to launch the first advocacy initiative, increase membership from 61 to 70 companies, and increase association revenue by offering value added services. The results from the ICT survey will inform KPEP and the Association on which trainings are needed in, and requested by, the industry, and to facilitate such trainings.</p>	
Activities	Status
1. Training in association building	1. Completed
2. Skills training offered by the ICT Association	2. Ongoing
2 nd Quarter Progress	
<p>Progress under this objective is satisfactory.</p> <p>1. Training in association building KPEP assisted the ICT Association with its preparations for the General Assembly which took place on January 28, including with drafting of the new Statute, and with the Yearly Work Plan, budget and new membership fee structure.</p> <p>The Association currently has 69 members. Its administrative staff has increased from one to three employees.</p> <p>The BSS Component engaged an STTA (Bob Stapp) to continue the capacity building efforts for associations through a general training followed by one-on-one consulting sessions. The general part discussed the role, responsibility and legal obligations of a Board, the manner and methods by which an effective Board conducts its work, and the parameters of its own performance and that of the Association Executive Director. The ICT Association was assisted with the following specific issues:</p>	

- Development of the Association’s strategic plan
- Exploring with STIKK the possible establishment of an MOU with the IT Faculty of the University of Prishtina for the development of an IT curriculum

2. Skills Training offered by the ICT Association

In this quarter, the ICT Association offered the E-Marketing workshop to tourism companies. It also prepared for the Customer Relationship Management training, which will be led by KPEP advisor Michelle Messina. This training, as well as a workshop on Outsourcing, will be held in Q2.



Objective 4: Improve legal and regulatory environment for ICT sector

Anticipated Results

The goals of this objective are to establish an Internet Exchange Point (IEP) in Kosovo and the country code top level domain (ccTLD). KPEP is supporting the Ministry of Transport and Communications and the Telecom Regulatory Authority to draft, approve, and issue regulations and instructions for the establishment of the IEP. KPEP will help the TRA identify a suitable operator for running the IEP. The establishment of an IEP in Kosovo will translate into considerable savings for all interconnected Internet Service Providers (ISPs), increase security and quality of Internet communications in Kosovo, and enable local ICT businesses to develop new and competitive applications and services.

Likewise, establishing the ccTLD involves working with the Ministry of Transport and Communications and the Telecom Regulatory Authority and identifying a suitable operator to manage the ccTLD. The ccTLD for Kosovo will be reserved by IANA/ICANN and delegated to a Kosovo ccTLD manager, or registry. This entity will issue the first authorizations to registrars who in turn will sell domain names, facilitating a new set of services by local ICT companies such as domain name management and maintenance, and hosting and web services. The expected long term result is that Kosovo entities, both public sector and private, establish a national identity with the .ks domain name. This will allow for professional webpages and email addresses.

Activities	Status
1. Develop Internet Exchange Point (IEP)	1. Ongoing
2. Support the GoK to obtain and manage dot KS (.ks) Country Code Top Level Domain Name (ccTLD)	2. Ongoing

2nd Quarter Progress

Progress in this area is slower than expected. Progress on .ks has been stalled at the international level. In this quarter the consultant who works both issues, has completed an assignment dedicated exclusively to IEP, and made good progress.

1. Develop Internet Exchange Point (IEP)

The IEP is an objective continued from Year 1. Establishment of an IEP for Kosovo is in the TRA’s workplan for this calendar year. The international consultant, John Adams, a telecom lawyer, was in Kosovo for 10 days in February/March. He assisted the TRA organize a meeting with all ISPs, at which the roadmap for establishing an IEP was presented. The

reception of the plan by the ISPs was very positive. As a result, the advisor drafted a consultation paper on the establishment of the IEP, which the TRA will send to all stakeholders on April 1. The advisor is scheduled to return in Q2, after the end of the consultation period, which is April 16.

2. Support the GOK to obtain and manage dot KS (.ks) Country Code Top Level Domain Name (ccTLD)

KPEP has not initiated additional activities since Q1. We are in contact with the U.S. Embassy, who is making efforts to move the acceptance of .ks forward on the international level.

B. TRANSACTIONAL SECTORS

1. SECTOR: TOURISM

Sector Strategy: KPEP’s tourism strategy is to market tourism experiences to the international community, help local experience providers² improve the quality and variety of offerings, and then seek to create regional linkages. We had a strong start in Year 1. KPEP achieved excellent results with its first major initiative, “Stay the Weekend – Experience Kosovo” exhibition in April for 40 tour operators, hotels, restaurants and other tourism establishments, with confirmed sales of over \$250,000.

Tourism is a transactional sector for KPEP, which means that we are seeking return on our investment and to pursue targets of opportunity. Our original strategy in the sector was to focus on the thousands of expatriates who work in Kosovo and entice them to “Stay the Weekend – Experience Kosovo” by developing package tours for them, offered by local experience providers. While we believe that this target group continues to have great potential, we will change our focus away from organized tours to providing better information, primarily through the KPEP tourism blog and portal to enable them to put together their own itineraries. We will further assist with developing integrated tourism offers, including a wine tourism product for the region of Rahovec. We will also strengthen our activities in the regional market, forging partnerships with regional tour operators and to a lesser extent international tour operators and experience providers. The expected result would be to include Kosovo in multi-country regional tours, and to appeal to the ethnic Albanian market in Albania, Turkey and other destinations, as an additional, potentially more promising, customer base.

■ Success Stories ■

The tourism blog developed by KPEP has attracted the interest of over 1,400 visitors. KPEP’s client firms, who have hosted over 700 tourists this quarter, attribute their interest to the tourism blog. These client firms reported total sales of 83,978 Euros which is almost triple the revenue over the last quarter, and an increase of full-time employees by 76% over the last quarter. Their inbound tourism business constitutes over three quarters of their sales.

KPEP supported NGO Era, NGO Marimangat e Pejës, and NGO Rugova Experience, to strengthen cooperation among them with the objective of converting small-scale touristic offers from the Peja region into integrated quality product offers. As result of this collaboration, the new developed product “Hike to Hajla Peak” brought together three partners to undertake improvement of products and services. For example, the association Era improved the accommodation and cooking facilities of the wooden cabin which is located among the trails. Nowadays, in addition to nature experiences and sleeping, their clients can also enjoy cooking their meals together. With marketing support from KPEP through the tourism blog, the offer of Hike to Hajla Peak was promoted and Rugova Experience received their first seven clients for this product.



Picture 1: Wooden cabins of NGO Era where clients of the ‘Hike to Hajla Peak’ offer enjoyed accommodation and cooking of traditional food.



Picture 2: Ski lessons offered by Rudi Group to students of Peja



Picture 3: Catalog of Tourism Offers

² We use the term experience provider to include the full range of businesses that can offer services which together create a unique tourism experience. This includes tour operators, restaurants, hotels, the handicraft industry, industry cultural events, and others.

Objective 1: Strengthen market linkages between the local international community and experience providers and create greater awareness of tourism destinations in Kosovo

Anticipated Results	
<p>The anticipated results under this objective include increased sales and demand for tourism experiences and events by the international community; increased awareness among a broad range of businesses and communities about tourism as a valuable source of income and employment, as well as a source for protecting and sustaining cultural and natural heritage. We expect revenue for the tourism industry to increase by 30 percent and employment by 20 percent for assisted tourism businesses and related organizations over the course of Year 2. We are also planning to convert 3 percent of tourism web portal visitors into customers.</p>	
Activities	Status
1. Marketing and promotion of product offers to selected international groups	1. Ongoing
2. On-line Tourism Marketing Portal	2. Ongoing
3. Travel Day Fair on April 22, 2010	3. In process
2 nd Quarter Progress	
<p>Progress under this objective is satisfactory. KPEP clients have been successful in selling their services and have been able to increase sales and jobs significantly. KPEP has successfully created a lot of publicity and “buzz” around tourism in Kosovo.</p> <p>1. Marketing and promotion of product offers to selected international groups</p> <p>In this quarter, the tourism blog was KPEP’s main channel for marketing and promoting the offers of experience providers to internationals living in Kosovo and to foreign tourists. We have worked with 25 experience providers (5 more than in Q1). From this number, 36% or 9 companies are KPEP’s clients (included in PBMS) and provide regular reports on their business performance and attribution of KPEP for their business growth.</p> <p>Despite the fact that the period January-March is usually slow due to the lack of offers for the winter season, the tourism blog has attracted the interest of over 1,400 visitors. KPEP’s clients hosted over 700 international and local tourists (or 50% of the above figure), most of whom stated that their source of information is the tourism blog. These client firms reported total sales of 83,978 Euros, which is close to three times the sales reported in the previous quarter. Full time employees increased to 30, compared to 17 in the previous quarter, an increase of over 70%.</p> <p>KPEP is in the process of developing another marketing tool, a catalog of tourism offers. Over 25 offers from 20 experience providers are featured in this very attractive catalog (see picture of cover page above), which will be disseminated through the tourism association, KPEP’s promotional events at international organizations, and trade shows, as well as at hotels, restaurants, and other avenues for tourism promotion.</p> <p>2. On-line Tourism Marketing Portal</p> <p>KPEP is also supporting the development of a website dedicated to inbound tourism. The “KosovoGuide” will be launched in the coming quarter, on the occasion of the Travel Day Fair on April 22. The portal features the tourism offers developed by the KPEP-supported</p>	

experience providers, as well as restaurants, hotels, places of interest, attractions, tour offers, events, and other information that is of interest. This information may be useful to the expatriate community in Kosovo, for internationals planning to travel to Kosovo, and for the local community interested in exploring their own country as tourists. A March Google Analytics Report on the KosovoGuide shows 3,029 visits coming from 50 countries, including Germany, Switzerland, and the US as the top originating countries. Our priority target is to make the tourism portal sustainable by charging for ads and by featuring restaurants and other touristic offers.

3. Travel Day Fair on April 22, 2010

KPEP is assisting KOTAS, the Kosovo Tourism Association with the organization of the second national Travel Day Fair scheduled for April 22. This fair exclusively promotes destinations, offers, and tourism products in and from Kosovo. Over 70 exhibitors will present their offers – tours, handicrafts, wine tasting, and many others. The event will also feature a gastronomy competition. In addition, the event will introduce two of the above-mentioned KPEP-supported initiatives, the first catalog of Kosovo Tourism Offers and the Tourism Portal.



Objective 2: Improve quality and variety of tourism experiences available from providers

Anticipated Results	
The goal is to convert day visits into overnights and/or weekend tours thus increasing value of sales and adding value to tourism offers. KPEP will also improve service offerings through lessons learned and international best practices.	
Activities	Status
1. Pilot new experiences with international community	1. Ongoing
2. Convert pilot tours into regularly scheduled quality product offers	2. Ongoing
3. International Study Tour in Best Practices	3. Completed
2 nd Quarter Progress	
Progress under this objective has been satisfactory. KPEP clients continue to pilot new tours and convert them into regular tourism offerings. The very successful study tour to Bulgaria and Austria was completed in this quarter.	
1+2. Pilot new experiences with international community; convert pilot tours into regularly scheduled quality product offers	
As mentioned above, in this quarter KPEP has provided technical assistance to 25 experience providers in order to improve service offerings. The focus of our technical assistance was to improve the quality of regular offers and to convert day visits into overnights in order to increase the value of sales, while spending less on piloting new experiences.	
With respect to this objective, Intours & Travel is leading by converting 3-day offers to 6-day	

tours for clients of Regent Holidays from the UK. In addition, Intours has also provided overnight stays for 32 tourists from France, Germany, and Switzerland. It had repeat business from 15 tourists from the UK, who visited Kosovo for the second time.

KPEP encouraged the NGOs Era, Marimangat e Pejes, and Rugova Experience to work together to convert individual offers into integrated packages. As a result, these three partners developed the offer “Hike to the Hajla Peak”, which includes an overnight stay in a newly improved wooden cabin. The offer was promoted on the KPEP tourism blog and has recently received its first seven visitors.

In addition, KPEP assisted the company Rudi Group to develop a tailored package offer (B&B, traditional food and ski lessons) for high school students from the Peja region. The packages were piloted with 100 students. This offer helped Rudi Group sign an agreement with the Peja Municipality to organize the student excursions that the Municipality organizes every year.

To improve quality of tourism experiences and service offerings through lessons learned and international best practices, KPEP’s client TPD Consulting conducted training on customer service, sales, and management for 12 female pastry chefs, members of the NGO Rela. All trainees were employed by hotels and restaurants that are KOTAS members.

3. International Study Tour in Best Practices

A group of nine tourism companies, all KPEP clients, participated in a two-week study trip to Bulgaria and Austria organized by World Learning Kosovo. The study tour was designed to teach the group about successful alternative tourism initiatives and concepts. The group learned about alpinism, hiking, camping, biking, rural tourism, wine tourism, bird watching, cultural heritage and history, river and coastal cruises, and village experiences around bed-and-breakfast style accommodations. Based on the lessons learned from this study trip, which was considered very successful and educational by all, the participants developed their own action plans with their vision for the future of alternative tourism in Kosovo. The group decided to hold monthly meetings, in order to strengthen cooperation and coordinate efforts for better quality and greater variety of tourism experiences available in Kosovo.



Objective 3: Strengthen market linkages with regional tour operators

Anticipated Results	
Increased interest by at least two tour operators to include Kosovo in regional itineraries leading to increased sales from regional sources.	
Activities	Status
1. Collaborate with regional tour operators	1. Ongoing
2 nd Quarter Progress	
Progress under this objective is satisfactory. We have continued to emphasize the importance of regional cooperation. Several tour operators have included Kosovo into their regional tour offers.	
This quarter, the Kosovo Tourism Association (KOTAS), who is KPEP’s institutional partner, and tourism organizations from Albania, Macedonia, and Montenegro, signed an	

agreement to establish the Regional Tourism Organization. In May, these organizations plan to meet to develop a program for cooperation designed to improve their networks and initiate joint marketing and promotion campaigns. KPEP will stay abreast of progress with this agreement. We may then provide assistance to regional tour operators looking for linkages with Kosovo agencies so that they may include Kosovo into regional tours.

KPEP considers Turkey as a source market with great potential for Kosovo. KPEP organized an exploratory trip to Turkey earlier this year to gauge the interest of a large Albanian community in the Izmir region (about 1.5 million ethnic Albanians live in this area). The response was very positive. As a result, KPEP is planning to organize a FAM trip for 10 tourism operators from Izmir in May. KPEP anticipates that this promotional effort will generate strong interest in this region of Turkey. As part of the trip, KPEP will organize a B2B with local tourism providers. KPEP has received confirmation from the Izmir Trade Chamber (ITC) that they will support this initiative on a cost-share basis. As result of this FAM Trip, a priority target for the KPEP tourism sector is to have at least one group of tourists from the Izmir region of Turkey book a tour to Kosovo.

2. SECTOR: RECYCLING

Sector Strategy: KPEP’s strategy for Year 2 was to pursue a national recycling program for PET while at the same time supporting small scale waste collectors on a pilot basis.

The PET Plastic Recycling Feasibility Study, which KPEP commissioned early last summer, was completed in the fall. From this study we learned that the price for PET continues to be depressed and as a result, there is little incentive for collection. The cost estimate for a nationwide PET collection is beyond KPEP’s ability to support. Macedonia, on which our strategy was modeled, benefited from a GDA grant from USAID Washington, an option which is no longer available. The author of the study recommended that a PET collection system could be piloted in one or two municipalities first, and if successful rolled out into other communities.

In response to the recommendations made in the study, KPEP has encouraged a few interested municipalities to develop concepts for PET recycling operations. We intend to share the feasibility study with other donors to see if there is sufficient interest to pursue the nationwide program in collaboration with other donors.

KPEP has continued its outreach and advisory to small individual collectors, including the companies Krroni and MEA. It has also been actively engaged with USKFOR Bondsteel’s efforts to reach out to communities in the area, including the Municipality of Gjilan, to educate them on the importance of recycling.

However, results over the past 6 months have been minimal. The return on investment that KPEP would like to see, is not expected to materialize in the near future. At this point, KPEP will deemphasize activities in this area.

■ Success Stories ■

Local company recycles USKFOR waste:

As a result of a linkage established by KPEP last fall, the recycling company MEA from Ferizaj, has been picking up unsorted waste from the USKFOR Camp Bondsteel twice a week, sorting it at its facility and selling the PET waste to a local dealer. KPEP is pleased that this business relationship between the USKFOR and this small company from Ferizaj is proving to be a stable, long-term relationship, from which MEA generates moderate, but steady sales.

 **Objective 1: Assess the viability of a sustainable national program for PET recycling based on the Macedonia model**

Anticipated Results	
The feasibility study will demonstrate the viability of a sustainable nationwide recycling program for PET plastic. If findings are positive, early implementation steps will be undertaken. The long-term expected results are increased investment, new jobs, and greater revenue in the plastic recycling sector.	
Activities	Status
1. PET Plastic Recycling Feasibility Assessment	1. Completed
2. Implement measures to establish a sustainable nationwide recycling	2. Ongoing - only if there is interest and financial support from other donors

program for PET plastic	
2 nd Quarter Progress	
<p>This is a difficult market segment to work in. While the KPEP commissioned feasibility study was completed, the scenarios suggested by it are mostly outside of KPEP’s ability to implement. We will share the recommendations with USAID and other donors. KPEP has been pursuing smaller and more narrowly defined initiatives.</p>	
<p>1. PET Plastic Recycling Feasibility Assessment</p> <p>The PET Plastic Recycling Feasibility Study, which KPEP commissioned early last summer, was completed in the fall. From this study we learned that the price for PET continues to be depressed and as a result, there is little incentive for collection. What PET is collected, is simply baled and exported, with no value-added in country. The only company that has the technical infrastructure to process PET is not operational. To jumpstart PET collection schemes would likely require significant subsidy payments. A nationwide PET collection effort was estimated to cost around \$.5 million, and therefore beyond KPEP’s ability to support. The author of the study recommended that a PET collection system should be piloted in one or two municipalities first, and if successful rolled out into other communities.</p>	
<p>2. Implement measures to establish a sustainable nationwide recycling program for PET plastic</p> <p>As KPEP determined that supporting a nationwide recycling program is beyond the project’s scope, we have decided to share the results of the study with other donors active in Kosovo and to encourage them to contribute to this effort. We are in the process of determining which donors are active in the recycling arena. We are planning to organize a presentation for all interested donors, with the authors of the study and KPEP specialists, for the next quarter.</p>	



Objective 2: Expand pilot recycling efforts, establish commercially relevant linkages, and promote organization and cooperation in small-scale private waste collection sector

Anticipated Results	
<p>To establish stronger links between waste collectors, sources of material and potential value adding processors and buyers in Kosovo. In the long-term we anticipate increased quantities of plastics and other waste materials recycled, greater investment, more value-added processing of waste, increased revenues and exports, and more jobs.</p>	
Activities	Status
<p>1. Assistance in establishing linkages between collection companies, sources of supply, and markets and targeted support to small scale collectors and waste processors as needed</p>	<p>1. Ongoing</p>
2 nd Quarter Progress	
<p>KPEP has undertaken a number of initiatives under this objective. However, the results continue to be insignificant. Acting against us is the low price offered for PET waste, which</p>	

does not provide sufficient incentive for collectors to collect PET for export, in the absence of a domestic recycling firm.

The feasibility study for the national PET recycling program also recommended helping establish a pilot program in a municipality. KPEP has been in contact with the municipalities of Gjakova, Peja, and Gjilan to think about setting up PET recycling facilities. We have shared the recycling feasibility study with them, and took representatives of municipality officials and waste management companies on a study trip to Macedonia to the USAID Plastic Recycling Project (PRP) on February 24. The knowledge gained will help these three municipalities design their own model of selective waste collection and apply for support through donors, including KPEP. KPEP also established a connection with the Regional Environmental Center (REC), in part funded by USAID, which supports environmentally friendly initiatives by municipalities.

KPEP has been actively working and advising the recycling firm MEA, which, through KPEP's help, received a contract with USKFOR Camp Bondsteel to pick up their trash. The original agreement was that Bondsteel would separate the trash internally, but this turned out to not be feasible. MEA picks up the unsorted trash and sorts it at its facility. Pick up has been one to two times per week, since the contract started in November 2009. MEA has collected about 15 tons from this contract, and it sells 3.5 tons of PET to local dealers each month for 200 Euros per ton.

MEA has approached KPEP this quarter with an idea to expand its PET collection network in the area of Ferizaj to bale PET for export. Through collection points established in 14 villages around Ferizaj (420 households) and from a number of private businesses in the city, MEA currently collects two tons of PET per month from mixed waste. By establishing new PET collection points in the existing 14 villages and expanding the network of collection to an additional 10 villages in Ferizaj (40 families each) where waste is not collected by the municipal public company, MEA plans to increase the volume of PET collected by 100%, to four tons per month or approximately 50 tons per year. In addition, the purchase of a baling machine will increase profit since baled PET commands a higher price. KPEP has been supportive of this idea. However, we want to make sure it is well thought out and has the support of the villages. We have therefore requested that MEA provides additional information, including signed letters of agreement with the village representatives.

KPEP established a business linkage between the plastic recycling company Europlastika and the windows producer LESNA to sell PVC scrap and waste to Europlastika. However, Lesna identified an even more competitive offer.

KPEP has conducted a financial viability analysis of the only recycling firm Krroni, which has the technical infrastructure to process PET into flakes. The financials show that this operation could be quite profitable once Krroni purchases an agglomerator, which will complete the line for the production of granulate. Since there is currently no market demand for PET granulates from post consumer waste, Krroni decided to focus on production of PET flakes and to postpone the decision to buy the agglomerator in order to complete the production line for granulate. KPEP understands that Krroni has business connections to Germany with a buyer who has committed to purchasing all PET flakes that Krroni would produce.

KPEP has also been in contact with the large Macedonian recycling company Greentech, which also has locations in Romania and Hungary. Greentech expressed interest in exploring

the market in Kosovo and in potentially making an investment. KPEP facilitated contacts with MEA, Lulebora and other companies, and offered its continued support. While Greentech seemed to be optimistic earlier this quarter about making an investment in Kosovo, it now appears that it has re-evaluated its approach. It established a commercial partnership with the company Pandora from Ferizaj and started to collect PET waste for delivery to its processing facilities in Skopje.

USKFOR Camp Bondsteel has an active outreach component with the surrounding municipalities. Given Bondsteel's own waste issue and the fact that landfills are either already closed because they are full or are reaching capacity, Bondsteel has been pro-actively educating municipalities about the importance of recycling. It has asked KPEP several times to accompany them on such visits, and to discuss KPEP's recycling initiatives and availability of the SAF grant funds.

3. SECTOR: ENERGY EFFICIENCY

Sector Strategy: KPEP upgraded the Energy Efficiency sector from informational to transactional for Year 2. We had done some initial research, which showed that this sector holds potential, in particular in coordination with other project components, such as construction and forestry. We planned to focus on discrete initiatives that will help the sector increase sales, exports, employment, and attract FDI. However, the fact that the Government of Kosovo has no energy efficiency standards in place, nor plans to implement any in the near to medium term, has proven to be a challenge. In addition, energy prices are not at levels to ensure full cost recovery and non-payment is pervasive.

We undertook a comprehensive review of the regulatory/legislative landscape and the companies that are currently producing or may be interested in producing energy efficient materials. Only very few were identified. As a result, we have decided to subsume building materials firms with an interest in energy efficiency, into the building materials subsector. Efforts regarding biomass are handled in the wood processing/forestry sectors.

Our experience over the past 6 months has shown that there is currently little opportunity in this sector. We will continue to monitor developments and act if and when opportunities arise. We will use the SAF fund to solicit proposals to demonstrate new and promising technologies.



Objective 1: Implement selected interventions recommended by the feasibility study

Anticipated Results	
KPEP will achieve a better understanding of the energy efficiency and/or renewable energy opportunities in Kosovo. In the long term we hope to grow or create a series of profitable businesses providing products and services related to energy efficiency and renewable energy. These firms will attract new investment, increase sales, and create new jobs. Harder to quantify will the beneficial environmental and economic effects on the nation from using energy more efficiently.	
Activities	Status
1. Conduct feasibility study on energy efficiency and implement selected recommendations	1. Completed
2 nd Quarter Progress	
<p>The results under this objective have been less than satisfactory. Legislation requiring the use of energy efficient materials is not in place in Kosovo. As a result, there is no incentive to produce or use such materials, whose price is above conventional materials. Companies have little interest in this subject. The only initiatives come from entities that want to demonstrate that such new methods can work and make sense – including CHF and AUK.</p> <p>The KPEP transactional sector team conducted research on the sector in the fall of 2009, and held several meetings with the Ministry of Energy and other stakeholders. We concluded that since households are the key consumers of electricity, and primarily for heating purposes, improving building insulation -- in particular insulation of windows, doors and exteriors -- should be the main target for our efforts to increase energy efficiency and to obtain</p>	

international standards.

KPEP contacted 18 companies to gauge their interest. Four companies responded positively, including Korenica for engineering floorings. Another is ABC Plast, which has a certification for a window, that has already been exported to Kazakhstan and Spain. The continuation of this work will be handled by the Building Materials sector.

C. INFORMATIONAL SECTORS

Sector Strategies: The informational sectors are Fishing and Aquaculture; Textiles Apparel, and Leather; Printing and Recorded Media.

KPEP’s strategy in this sector is to monitor developments to determine if there are opportunities that warrant support, and to be open for initiatives that are brought to KPEP.



Objective 1: Research the informational sectors and identify viable opportunities for possible KPEP interventions

Anticipated Results	
KPEP will achieve a better understanding of the market potential for informational sectors. When targets of opportunity are identified, selective KPEP interventions result in measurable results in terms of investments, sales, jobs, and/or exports.	
Activities	Status
1. Continue to monitor and study the Fishing and Aquaculture sector	1. Ongoing
2. Perform a market survey and identify key apparel designers in the Leather and Textiles sector	2. Ongoing
3. Continue to monitor and study the Printing and Recorded Media sector	3. Ongoing
2 nd Quarter Progress	
KPEP observes the market in these categories and reacts to targets of opportunity, if identified. We conducted a major study of Aquaculture as part of an Animal Products Strategy.	
<p>1. KPEP held a SAF outreach meeting for lead companies from the Aquaculture, Textiles and Print Media sectors on March 3. 23 representatives attended. As a result, we have received one grant request this quarter for supporting a textile manufacturing operation, which will be evaluated by KPEP in the upcoming quarter. KPEP has also reviewed the findings of the Animal Products Study developed by a team from Booz Allen Hamilton this quarter regarding the potential for fish farming in Kosovo. The findings were that trout, sturgeon products, and carp have high potential. As part of Booz Allen’s and USAID’s outreach, this finding was shared with other donors, as it is outside of the scope of KPEP.</p> <p>2. A number of handicrafts producers have been approached by the KPEP tourism team and are featured in the tourism brochure that will be published by KPEP in the coming quarter. Some of them have been approached to participate in the KPEP co-sponsored Travel Day Fair on April 22, which will feature Kosovo tourism offers.</p> <p>KPEP has begun a training for women business owners, which will continue into the third quarter. One of the companies included in this training is the owner of a handicraft store in Pristina.</p>	

3.KPEP has developed a list of major players in the printing sector in this quarter. In the upcoming quarter, we plan to continue our outreach to representatives from this sector

4. Earlier in the project year, KPEP assisted Gorenje Elektromotori with market research, a business plan, and business linkages with equipment suppliers for the establishment of a new line for export of electric motors for washing machines. KPEP's assistance enabled Gorenje to receive a reduced offer from the equipment suppliers of €930,000 instead of the originally requested €1,300,000. KPEP also made introductions with several local banks (TEB, Economic Bank, Raiffeisen Bank), since they need a loan to start implementation. Nova Ljubljanska Banka, initially interested in supporting this investment, withdrew due to the impact of the global financial crisis. The negotiations with local banks are still in process.

II. COMPONENT 2: BUSINESS SUPPORT SERVICES

Component Strategy: The Business Support Services (BSS) Component is designed to ensure that businesses in Kosovo have available a full range of high quality services to support business growth.

In the original strategy, KPEP's BSS component was focused equally on capacity building of business service providers (primarily consulting firms) and of business and professional associations. However, we have since confirmed that a number of other donors are focused on developing the capacity of consultants. As a result we have a more limited and focused approach toward working with consulting firms that will complement the work of other donor programs. We will provide Commercial Legal Practice Training to include young lawyers who are interested in commercial practice. This will significantly increase the numbers of lawyers able to efficiently provide business legal advice to the private sector for reasonable fees. Currently, industry specific associations and umbrella business associations and chambers remain our principal target for assistance under this component.

Our primary target are associations that are active in the KPEP sectors – i.e. have common goals, and that are interested and willing to cooperate with KPEP. We are calling the associations that fulfil both criteria “Tier 1” associations. They are the recipients of the bulk of project resources in this area.

In this quarter, we have made a number of adjustments to the BSS work plan and its objectives and activities, in order to be more focused and targeted.

We have asked the associations to share their annual work plans with us and also encouraged them to present us with a “package” of requests for funding of activities that represent joint goals for the associations and KPEP.

Finally, based on the analysis and recommendations contained in the recently completed Agricultural Strategy (AgSTRAT), we will begin to work with 3-5 farmers associations on a pilot basis to expand and improve on the range of services they can provide to members.



Picture 1: Associations Mentoring



Picture 2: CRM Training



Picture 3: Implementer's roundtable

■ Success Stories ■

BSP Implementer's roundtable

15 BSP implementers participated at the implementer's roundtable on Feb 19, 2010. The event, which was convened by KPEP, allowed participants to share information on active and planned programs, to identify synergies and potential areas of collaboration, and to expand networks and improve communications. The roundtable will now be repeated on a quarterly basis.

Twin international KPEP consultants with local consultants

As a result of our twinning program concept we are enhancing the skills set of business consultants who are able to meet the needs of the KPEP sectors and increase their revenues. One consulting firm that participated in the twinning program told us that as a result of the expertise acquired, they expect to increase their revenues over 30% this year.

Objective 1: Support KPEP target sectors through capacity building of business service providers to address critical issues and constraints of particular relevance to the sector.

Anticipated Results		
KPEP intends to enhance the skill set of business consultants who are able to meet the needs of the KPEP sectors. Success will be measured by an increase in the variety and quality of services made available by local consulting firms and will be reflected by increase in revenue.		
Activities	Status	
1. Twin international KPEP consultants with local consultants	1. Ongoing	
2 nd Quarter Progress		
Measurable progress has been achieved in increasing the capacity and the financial performance of assisted firms.		
1. Twin international KPEP consultants with local consultants		
The objective of this activity is to enhance the skill set of local business consultants so that they can meet the needs of the KPEP sectors, contribute to the achievement of sector results and carry the knowledge obtained through working with an international advisor forward into the local economy.		
In this quarter, we twinned six local consultants, as listed below:		
No	Project	STTA & Local Consultant
1	IT Business Incubator	Tertius Eksteen /Larry Marchese (STTA) & Bernard Nikaj (LC)
2	EED Assessment	B2 Company & Sebiha Remxhiku (LC)
3	Business Women Training	Marilyn Evans (STTA) & 1) Ardita Rizvanolli (LC) 2) Sabrie Jagxhiu (LC)
4	New Dairy Product Development	Dragi Mihajlov (STTA) & Benjamin Halili (LC)
5	CRM Training & Mentoring	Michelle Messina (STTA) & Genc Kuki (LC)
KPEP has introduced a formalized feedback procedure for both the international and the local consultants. The feedback confirms that this twinning process is highly beneficial for both sides, not only in terms of the knowledge transfer, but also in commercial terms for the local consultants. For example, three out of six local consultants found the experience enhanced their technical skills and will very likely improve sales.		

Objective 2: Build the capacity of the consulting and commercial legal profession to strengthen general consulting and business skills leading to a more broad based and sustainable industry

Anticipated Results
KPEP anticipates training 20-30 business consultants and lawyers and 20-30 business women, enhancing skills for business consultants and increasing employment and revenue among BSP's.
The long term impact of this objective will be to build a strong cohort of local consulting

firms, critical in a vibrant economy. In addition, training tailored to female business associates will address the needs of an under-represented group in Kosovo’s business sector.

Activities	Status
1. Conduct training on improving the management of the consulting firms	1. Ongoing
2. Feasibility for establishing a consultants association (NEW)	2. Planned
3. Continue to develop lawyers	3. Planned
4. Conduct training for female business associates	4. Ongoing
5. Organize an implementer’s round-table.	5. Ongoing

2nd Quarter Progress

As mentioned in the introduction, there are several donors supporting this segment of the business community. In this quarter, we organized a roundtable of implementers to find our niche. With this information in mind, KPEP has worked to identify a set of unique, impactful activities.

1. Conduct training on improving the management of the consulting firms: This is a repeat of a successful training activity conducted in year one. The next offering is planned for the third quarter. The training focuses broadly on improving the business practices of consulting firms and includes marketing, proposal writing, client relationship management, contracting, and financial management.

2. Feasibility for establishing a consultants association (NEW): BSS is planning to engage the Associations Expert to undertake a feasibility study on the establishment of the business service providers association. We are aware this has been tried before but consultation with a wide range of stakeholders suggests that there is enough interest and energy to reconsider the issue.

3. Continue to develop lawyers: BSS, in close coordination with BEE, plans to widen the target audience for the Commercial Legal Practice Training to include young lawyers who are interested in commercial practice, but have not yet taken the bar examination. This will significantly increase the number of lawyers able to efficiently provide business legal advice to the private sector for reasonable fees. The training will include practice and consultation principles, ethics, and basic commercial legal advice, techniques and substance. The training is planned to be conducted by mid September 2010.

4. Training for female business associates: BSS is in the midst of preparations for a training and mentoring program for female business owners and business consultants. This activity has two objectives: 1) coaching female Kosovar business owners on how to better manage their businesses, and 2) mentoring female Kosovar business consultants on how to better support the business community. Two local consultants have been engaged and are actively involved in the preparations for this activity, and 11 businesswomen are short listed. They have already done extensive prep work in advance of the training day

scheduled for April 28 and the subsequent coaching sessions.

5. Organize an implementers’ roundtable:

BSS convened an implementers’ roundtable in February 2010 and learned from 12 implementers what they are doing to support Kosovo business service providers. This enabled BSS to most effectively allocate resources to the most pressing programming areas which are not already funded by other stakeholders. The roundtable will be held on a quarterly basis.

Objective 3: Enhance the internal organizational capacity of associations as well as their ability to offer products and services to their membership, including advocacy on behalf of the industry

Anticipated Results	
<p>KPEP’s objective is to enhance the ability of associations to provide value to members, raise revenue through products and services, and advocate effectively in priority sectors. KPEP will increase association membership and improve understanding by the Government of Kosovo and other stakeholders of the role and contribution of associations. The BSP will assess and quantify the progress made by Kosovo business associations with the Association Development Index (ADI) tool.</p>	
Activities	Status
1. Association Strategic Management & Leadership Training (Tier 1)	1. Completed
2. Capacity building for Tier 1 associations (NEW)	2. Ongoing
3. Provide advocacy and legal support to umbrella associations	3. Ongoing
4. Strengthen associations in targeted sectors to provide services to members on a fee basis	4. Ongoing
5. Capacity building for agriculture associations (NEW)	5. Planned
2 nd Quarter Progress	
<p>We are satisfied with the progress made under this objective in this quarter.</p> <p>BSS updated the Association Development Index (ADI) in October. The mean score increased to 1.88 compared to 1.75 of the first review done in January 2009. This modest improvement reflects the work of KPEP and others working to enhance the capacity of business associations in Kosovo.</p> <p>1. Association Strategic Management & Leadership Training (Tier 1) Completed in Q1</p> <p>2. Capacity building for Tier 1 associations: BSS’s primary target are associations that</p>	

are active in the KPEP sectors – i.e. have common goals, and that are interested and willing to cooperate with KPEP. We are calling the associations that fulfil both criteria “Tier 1” associations. They are the recipients of the bulk of project resources in this area.

Associations Advisor Bob Stapp completed a second assignment in January 2010. He provided two days each of one-on-one coaching sessions with KPEP Tier 1 associations as follows:

- Agriculture
- Banking
- Construction
- Dairy
- ICT
- Tourism
- Wood

STTA spent two days with the lead association for each of these sectors. Almost all sessions were attended by the Board Chair or Board Member and the Association Executive Director. The results and findings are being used to recommend a tailored package of assistance for each Tier 1 Association to be used over the course of the next year.

KPEP is also encouraging partnerships with international associations in the same sector; World Learning, based on a request by KPEP, is in the process of organizing a study tour to Poland in May for the following associations:

- AM CHAM
- AMIK
- AWPK
- ICT
- KBA
- KCC
- RCAF

The focus of the tour will be advocacy, helping participants to understand how best to weigh alternative policy options and influence the government’s decision making process.

BSS will continue to support associations’ trade show plans through financial support, training and the provision of expert advisors. This quarter, BSS engaged in planning for the provision of technical assistance to the umbrella associations on advocacy and legal support, leveraging from the Legislative Intervention Roadmap/Advocacy Strategy (LIRM/Advo Strat). The BEE Component will coordinate in using the LIRM/Advo Strat with Partners and other donors who plan to assist with advocacy on specific issues (i.e., SEAD Project’s work with the KCC on commentary to the Draft Law on Obligations).

4. Strengthen associations in targeted sectors to provide services to members on a fee basis: BSS formalized a procedure to support the variety and quality of services that associations provide to their members on a fee basis. BSS worked with KPEP sector staff to support the following activities:

- a) AWPK – Trade Fair participation in Albania: 15 wood processing companies paid the participation fee to the association.
- b) STIKK – CRM Training started in the beginning of April 2010.
- c) RCAF – Heavy Equipment Certification Training: 40 companies are participating in this course and in the Internship Program

d) AWPK – GAP Analysis: a comprehensive survey on the wood processing industry over the analysis of essential job functions is complete. Additionally, the Internship Program has started and it is managed by the Association.

5. Capacity building for agriculture associations (NEW): BSS will identify and reach a formal agreement with 2-4 agricultural associations leading to an improvement in quality and range of services offered to members.

III. COMPONENT 3: BUSINESS ENABLING ENVIRONMENT

Component Strategy: The BEE Team targets key legal and regulatory barriers in KPEP-relevant value chains. In some environments these barriers are predominantly gaps in legislation. In Kosovo, however, these barriers are almost exclusively related to implementation of legislation – principally, the absence of implementing regulations, paucity of funding for what is often over-ambitious government oversight of the economy, and the lack of capacity in the responsible ministries and agencies.

The BEE Team employs four distinct strategies in its approach to the Business Enabling Environment:

- In supporting KPEP’s objectives we will continue to focus strongly on implementation failures and difficulties wherever there is the highest likelihood for success as measured by growth in the sectors. This demand-driven approach supports KPEP targeted sectors through consultation with KPEP specialists, the private sector, government officials, and other donors. Substantially more detailed information about these interventions can be found in the sections of this report dedicated to specific sectors.
- We also continue to target high-impact areas of *general business enabling environment* relevance. These include issues that generally affect many or all of the KPEP sectors but which are not especially dependent upon emergent issues. These types of intervention can, therefore, be more easily planned ahead. But, since many of these issues are more substantial than KPEP’s resources allow, focus on these will be highly selective.
- Because tremendous growth in Kosovo will be seen through increased exports, the BEE component has taken a lead among implementers in the *trade enabling environment*. Increased capacity for trade is critical to the success of KPEP’s objectives, and much of the lack of capacity centers on the business enabling environment. For example, even basic understanding of regional best practices that should facilitate huge increases in trade is sorely lacking. The BEE Team builds general capacity as well as work in a more ad hoc fashion to facilitate individual cross border trades.

■ Success Stories ■

The Roots of a New Approach to Trade

Kosovo’s economic growth depends in large part on its approach to cross-border trade. Growth in exports is the fastest way to success for a small country. The BEE Component has been working closely with a group of enthusiastic government officials, civil society, and private sector who have two very significant common characteristics: They are all bullish on trade, and they all agree that Kosovo needs a new approach that takes the politics *out* of trade.

The first step in developing Kosovo’s new path to trade is the establishment of a Trade Rapid Response Team, a group of government, civil society and private sector actors who are all ready, willing and capable of guiding Kosovo’s trade policy and implementation. Most of the participants in this group have been identified, and in order to build their capacity, a World Learning/KPEP Study Tour has been designed to give them an intensive introduction to international trade best practices. The study tour will take place in Geneva in May 2010.

Bansko Study Visit

Mountain tourism in the Štrpce/Shtërpçë area of Kosovo is one of Kosovo’s biggest potential engines for economic growth, yet remains neglected due to political, as well as development issues. KPEP organized and led a study tour for officials/stakeholders relevant to the development of the municipality, particularly in regarding its high potential as an all-season resort area. Bansko, Bulgaria, was chosen for several reasons, among them Bansko’s tremendous growth in ten years, despite its similarity to Štrpce/Shtërpçë in “starting points” and the striking parallels in topography and climate. The tour took municipal representatives, including the new Mayor, and representatives from the Privatization Agency of Kosovo (PAK), on site visits to ski and golf resorts, and for some very successful visits with municipal counterparts in Bulgaria.

The result of the trip was a deeper understanding of the tremendous opportunities that lie ahead for Kosovo, as well as a new appreciation for the solutions to challenges that will surely arise.

- Finally, the BEE Team works on legal and regulatory needs, as well as the dissemination of information necessary for the building of foreign direct investment. This can be another demand-driven strategy responsive to specific issues raised by potential investors or in the form of general assistance in attracting investment.



Objective 1: Support KPEP target sectors through Demand-Driven achievements in the Business Enabling Environment

Anticipated Results	
Results Focus	
<p>Results focus on improved legal framework in highly relevant areas through revision or termination of at least six draft laws or policies, as well as the better implementation of existing laws and regulations, leading to increased legal stability for investment. Through policy advice and trainings we also anticipate increased capacity of the GoK to respond to the needs of the private sector. While the final results listed below may appear to include only the passage or reform of legislation or policy, intermediate results also include a better understanding of policy and implementation needs, stakeholder review, policy assessment, and public-private dialogue.</p>	
Activities	Status
1. Agriculture – Agribusiness Climate, Legal and Institutional Reform Diagnostic	1. Complete, but will be follow-on
2. General Legal Support to Sectors, Components, and Project Administration	2. Ongoing
3. ICT:	3.
A. ccTLD Kosovo Country Code and Domain Registry	A. Ongoing
B. Internet Exchange Point	B. Ongoing
C. Collaboration with CLDP for ICT contracting training program	C. Complete (see number 6 for follow-on activity)
D. ICT Contracting Manual	D. Ongoing
4. Forestry:	4.
A. Forestry – PPP/Tendering best practices review and development of a model approach and model PPP contracts	A. Ongoing
B. Lacey Act Amendments review	B. Complete
5. Construction - Review and Commentary on Draft Construction Law	5. Ongoing
6. Energy Efficiency -- Review of and	6. Complete

commentary on Draft Energy

2nd Quarter Progress

Progress against this objective is on track and achieving results.

The KPEP BEE Component remains on target in its objective of supporting the KPEP sectors through targeted intervention. While the approach has remained the same from the beginning of the Project, the tactics as regard each sector continue to occasionally change. This reflects changes in project targets and opportunities. Some efforts have been discontinued before major resolution has occurred, such as in work with Draft Energy Efficiency legislation, because KPEP's approach to the sector has changed. Other programming in this objective has expanded due to increased demand for resolution and will continue to require considered analysis so that KPEP's limited resources are utilized appropriately. The clearest example of this is KPEP's work with the Draft Construction Law. Different approaches will require vastly different financial and labor input. Finally, some new efforts not identified at the beginning of Year 2, have been adopted and completed. These include the daily work the BEE Component is tasked with, such as MOUs and expedited legal reviews. Examples include the KEK Training Center MOU and a review of the Lacey Act Amendments regarding trade in wood and wood products. Our projected result of the revision of six laws or policies in Year 2 is on track with policy changes achieved in ccTLD and IXP, and expected revisions in Construction Law/Policy, Forestry Tendering, and the Draft Forestry Law. We also anticipate taking on at least one more policy area in response to the gaps identified in the Agribusiness Climate, Legal and Institutional Reform (AgCLIR) Diagnostic.

1. **Agriculture** (Note: Also applies to Objective 2) – The AgCLIR Diagnostic was finalized successfully in the form of a 70+ page analytical narrative, and a comprehensive set of scored indicators measuring Kosovo's capacity in five areas on four different levels: Legal Framework, Implementing Institutions, Supporting Institutions, and Social Dynamics. The Diagnostic provides an excellent picture of gaps in the climate that are both critical for continued growth, and relatively simple to reform.
 - a) Short and Medium Term Strategy
 - i. Development of a list of discrete project ideas from the gaps and flaws identified in AgCLIR;
 - ii. Donor and Stakeholder Roundtable to discuss results and interest in taking on discrete project ideas.
2. **General Legal Support to Sectors, Components, and Project Administration** – The BEE Team was engaged, at approximately 10% level of effort, in general legal assistance on issues such as MOUs for National Geographic Traveler Magazine's special supplement, KEK, and the RCAF; reviews of employment/labor issues; and, reviews of Environmental Impacts Requirements.
3. **ICT:**
 - A. ccTLD Kosovo Country Code and Domain Registry
A significant effort has been put into this by the BEE Component. Efforts will continue to focus on gaining effective stakeholder enthusiasm.
 - B. Internet Exchange Point
BEE provided general support to the STTA
 - C. Collaboration with CLDP for ICT contracting training program

Provided general logistical and programmatic support to CLDP and engaged several local Kosovo lawyers to participate.

D. ICT Contracting Manual

Now in the drafting stage, the table of contents and scope are complete and have been reviewed by KPEP and CLDP ICT/IPR experts. First draft due 1 May.

- a) Short and Medium term strategy:
 - i. Printing and Distribution
 - ii. Present workshops on use to ICT Sector and Legal Community

4. Forestry:

A. PPP/Tendering best practices review and development of a model approach and model PPP contracts

A SOW for STTA work in reform measures was submitted for approval. STTA planned for May.

- a) Short term strategy:
 - i. Draft model tendering plan
 - ii. Draft PPP model contracts
 - iii. Stakeholder workshops
 - iv. Assistance in implementation

B. Lacey Act Amendments review

Provided legal commentary and advice regarding compliance with U.S. law for cross-border transactions in wood and wood products.

5. Construction - Review and Commentary on Draft Construction Law

Commentary and letter to MESP complete, and a plan for assistance to the MESP on revisions has been developed.

- a) Short term strategy:
 - i. Legislative Drafting?
 - ii. Submission of Letter?
 - iii. Some TBD level of assistance?

6. Energy Efficiency – Review of and commentary on Draft Energy Efficiency Legislation

After the initial review, KPEP decided to put work in the Energy Efficiency area on hold. Therefore, no additional work on the legislation was done.



Objective 2: Facilitate improvement in competitiveness indicators through targeted achievements in the Business Enabling Environment

Anticipated Results

Key stakeholders are more aware of the factors that promote or inhibit trade and commerce and better understand the need for improvements in the business enabling environment. At least two widely attended events educate and inform decision makers in the public and private sector. Key stakeholders better understand how to lobby and advocate for reforms to improve the business environment through participation and training activities. KPEP directly supports interventions to address at least three significant policy issues of general concern to the business community.

Activities	Status
1. Commercial Legal Training for Lawyers	1. Planned
2. Legislative Intervention Roadmap and Advocacy Strategy	2. Ongoing
3. Bansko-Bulgaria Study Tour and follow-on	3. Near completion
4. VAT Tax Reimbursement on re-exports	4. Ongoing
5. BizCLIR indicators 2010 update, with improvements identified, and plan for stakeholder follow-on.	5. Ongoing

2nd Quarter Progress

KPEP is on track to achieve the anticipated results under this objective in the coming year.

This is the most quickly expanding category of work and, along with the Trade Objective, comprises much of the strategy for the rest of Year 2. A great deal of work went into the AgCLIR Diagnostic submitted early in Year 2. The gaps and needs identified are specific to agribusiness, but are easily applicable to the Business Enabling Environment generally. The other three major areas of focus under this objective are the Legislative Intervention Roadmap and Advocacy Strategy, and the Bansko Study Tour and follow-on activities in the development of a sound Business Enabling Environment in Shterpce Municipality which will promote and maximize privatization efforts.

Stakeholder workshops/trainings for BizCLIR and the Legislative Intervention Roadmap are planned in the coming two months, and a larger repeat of our Law Practice Management seminar will take place in September.

1. Commercial Legal Training for Lawyers and Business people
Second training is planned for September.

2. Legislative Intervention Roadmap and Advocacy Strategy
A First draft is complete, and relevant USAID partners have drafted a plan for ambitious use of the documents. Both DFID and SEAD have requested the roadmap and strategy for use in trainings.

- a. Medium term strategy:
 - i. Establish a Consultative Committee from GoK and Assembly Legislative experts to validate results
 - ii. Use the Roadmap and Strategy in Civil Society and Trade Association Trainings
 - iii. The Roadmap and Strategy will be the flagship pieces in Private Sector Advocacy programming
 - iv. Other donors will use the Roadmap and Strategy in their own programming

- 3. Bansko-Bulgaria Study Tour**
 Planned, implemented and led the visit of Štrpce/Shtërpçë and Privatization Agency officials to Bankso, Bulgaria. Success of any plan to bring investment to Brezovica depends almost exclusively on Shterpce’s ability to undertake the growth efficiently. Success will depend on a very careful development of a master plan for growth that is founded upon business efficiency, fairness, transparency and predictability. The study tour was extraordinarily successful. It included presentations from Mayors from two winter/summer resort towns in Bulgaria, private sector support NGOs, private sector associations, a ski resort concessionaire, a tourism expert on the subject of responsible resort and town planning, and a large town/resort design firm.
- 4. VAT Tax Reimbursement on re-exports**
 SOW for analysis of best practices and a plan for Kosovo reform has been submitted.
- 5. BizCLIR indicators 2010 update**
 This year’s update saw minor improvements in Contracts, International Trade and FDI. A plan was developed for release to a wide stakeholder audience, and a roundtable outlining the results and project ideas is planned for the coming month.

 **Objective 3: Assist key public and private entities to understand rights and obligations under existing bilateral and regional trade agreements, comply with the terms of such agreements, and be able to assert and defend rights and privileges created by the agreements**

Anticipated Results	
Anticipated results include higher commercial legal and negotiation capacity among all GoK ministries and agencies with some impact on Kosovo’s trade integration, with a higher and improved ability to not merely understand regional trade agreements and other obligations but also be able to assert the country’s rights and remedies under such agreements. Success can be measured by progress on the Policy Index, increased exports of value added products and imports of raw materials for value added processing in Kosovo, as well as general satisfaction in the public and private sectors that a more informed and pragmatic approach to trade is being developed.	
Activities	Status
1. Trade: <ul style="list-style-type: none"> A. Best Practices Training/Geneva Study Tour B. Trade Policy Assistance C. Trade Facilitation Assistance D. Trade Rapid Response Team 	1. <ul style="list-style-type: none"> A. Ongoing B. Ongoing C. Planned D. Planned
2. Development of a Customs Enquiry point required for further regional/global trade integration	2. Planned

2nd Quarter Progress

Progress in this Objective has been slow, but this quarter saw significant acceleration in the progress of the activities.

Though Kosovo has developed a reasonably sound trade policy, pursued its membership in trade agreements and other related institutions, and expressed a desire to trade efficiently with partners in the region and beyond, very little has been done to achieve higher levels of regional trade by utilizing the tools readily available to accomplish trade success. Kosovo neglects its responsibilities to its trading partners and its manufacturers in two ways. First, Kosovo raises trade barriers in direct violation of its obligations and recognized best practices; and, second, it remains at a low capacity for fully understanding the opportunities a well-reasoned trade policy and practice provides. In other words, by continuing to ignore the complexities of trade agreements and best practices, Kosovo is unable to use trade agreements and other relations as the trade facilitators they are designed to be. KPEP is now at the beginning of a major push to develop capacity for better trade practices in the GoK. The BEE component has already established excellent relations with the Trade Office of the Ministry of Trade and Industry, the Customs Authority, the Ministry of Foreign Affairs, the Ministry of Economy and Finance and other trade relevant institutions. We have provided advice on specific trade issues, and in doing so emphasized trade capacity building and trade agreements as potential drivers for growth in exports and revenues. The project will now take on the task of providing intensive trade policy best practices training (with World Learning), the establishment of an inter-ministerial Trade Rapid Response Team, a Customs Information Inquiry Point, and, possibly, the drafting of a comprehensive International Trade Integration Roadmap.

Kosovo's capacity for growth in exports and raw materials imports remains critically low. This is partly due to insufficient focus by the GoK and donors, and partly due to an approach to trade by the GoK that links it more to politics than to economic growth. Our recipe for change hinges on growth in capacity, the development of intra-governmental dialogue and recognition of best practices and the benefits that accrue from them.

Nonetheless, we have begun to see significant positive movement in some of the indicators of success in trade. The planned training and Rapid Response Team will register substantial improvement in the Trade/CEFTA section of the Policy Index within the next two months. We can also attribute at least some of the growth in agricultural exports to both a general easing of the trade facilitation environment and a greater understanding of trade principles among exporters, a topic of great concern to the Ministry of Agriculture, Forests, and Rural Development. Finally, we have begun to see a far more pragmatic approach to trade than we've seen in the past, especially among GoK and Civil Society entities that have some indirect responsibility/interest in trade. These include the Ministry of Foreign Affairs, Ministry of Economy and Finance, and Ministry of Agriculture.

1. Trade:**A. Best Practices Training/Geneva Study Tour**

The agenda is complete and the tour planned for May. Participants include MTI, MFA, MEF, Customs, the President's Office, PMO, PAK, and Chambers of Commerce.

B. Trade Policy Assistance

SOW submitted

<p>C. Trade Facilitation Assistance SOW drafted. Work planned for June.</p> <p>D. Trade Rapid Response Team Concept established, and formation is planned after Trade Training Study Tour in Geneva. In the medium term, we will establish an inter-ministerial team with responsibility for seeking and developing rational GoK responses to trade facilitation and policy issues, as well as guidance in the development of the International Trade Integration Roadmap.</p> <p>2. Development of a Customs Enquiry point required for further regional/global trade integration. Plans are underway to develop and establish a Customs Enquiry point to serve as a model for GoK enquiry points that are needed for further regional/global trade integration. A number of meetings have been held with the Legal Advisor to Customs, Lulzim Rafuna, to establish a more detailed and achievable roadmap. Engagement with the AgCLIR Assessment confined BEE’s time in the above activities. However, there have been vital findings in the AgCLIR draft report that will guide KPEP’s approach to trade.</p>



Objective 4: Support increased foreign direct investment

Anticipated Results	
Increased capacity for government to promote reasonable investment opportunities; awareness of investment opportunities in Kosovo; enhanced comfort among potential investors in the investment climate of Kosovo; and increased investments.	
Activities	Status
1. Capacity Building with Kosovo Diplomatic Corps	1. Ongoing
2. Promotion of Kosovo as an attractive place to invest: in Turkey, Albania, Austria, Germany, US.	2. Ongoing
3. “What KPEP can do for YOU” Investor Briefers	3. Ongoing
4. Development of Investment Briefers	4. Ongoing
5. Hydropower Energy Project	5. Dropped
6. IPAK FDI Strategy	6. Complete
7. Support during the negotiation and due diligence stages to investor-investee relationships.	7. Ongoing
2nd Quarter Progress	
We have coded this objective yellow due to a continued lack of actual investment. Other	

anticipated results are, however, now being realized.

KPEP has undertaken a number of initiatives, including an overhaul of our FDI Strategy, and we are beginning to see promising results, both in specific interest in investment and investment opportunities, and, importantly, in the way the GoK (principally, the MTI, MEF, MFA, and PAK) approaches its role as investment promoter and facilitator. Kosovo is a very difficult environment for attracting investment; nonetheless, we anticipate significant results in the coming year and will continue to pursue the present strategy.

1. Capacity Building with Kosovo Diplomatic Corps

KPEP presented a one-day workshop to the incoming group of approximately 50 diplomatic and consular staff hired by the Ministry of Foreign Affairs for existing and new missions abroad. The training, utilizing the services of the Economic Initiative of Kosovo (ECIKS), was intended to brief the group on the appropriate ways to promote Kosovo to potential investors. The event was quite successful, and follow up programming is planned.

2. Promotion of Kosovo as an attractive place to invest

Participated in investment conferences in Munich and Istanbul. Significant changes to GoK's approach to FDI, and growing interest in KPEP collaboration from financial institutions, such as IFC and TEB (Turkish Bank) are occurring.

3. "What KPEP can do for YOU" Investor Briefers

Created a briefer designed to help potential investors understand what KPEP does and how we can help them.

4. Development of Investment Briefers

In October, KPEP retained an international consultant to identify investment opportunities for the Turkish investment community. Together with a local counterpart, he conducted a thorough investigation of potential investment targets. The consultant's evaluation was that Kosovo is not an unknown investment destination, and that most of the opportunities have already been evaluated. However, the investment climate overall is not very conducive to attracting investors. The opportunities that the two consultants identified – in the mining and hydropower sector, primarily – were shared with the Investment Promotion Agency, the Turkish-Kosovo Chamber of Commerce, and were sent in a fax campaign to numerous Turkish companies. The feedback received to date has been minimal.

5. Hydropower Energy Project

KPEP gathered information regarding the small hydropower project that is planned to be issued as a PPP by the GoK, on behalf of a Turkish company that was contacted by KPEP advisor Andrew Vonnegut in the fall. We provided the information to the company, who expressed interest in visiting Kosovo. However, the company failed to be in touch going forward, despite several attempts from our side to schedule the visit.

6. IPAK FDI Strategy

KPEP was invited to provide comments to the IPAK FDI strategy. We did so early in the quarter, suggesting that the strategy should be more focused, and on initiatives that are within the authority of IPAK to implement. The strategy was broad and focused on economic development in Kosovo in general. We suggested as priority action items

- a. Assure that the Government of Kosovo is fully supportive of improving the

investment climate in Kosovo.

- b. Identify the specific challenges to Kosovo's investment environment and try to address them through specific and actionable recommendations to the government.
- c. Encourage the public sector and private sector stakeholders (including existing investors) to establish an advocacy forum which will identify the major current constraints to investment, and encourage them to lobby for the changes identified.
- d. Focus on "reactive" initiatives: ensure that existing investors are satisfied, and help them expand their existing investments.
- e. Be "pro-active" in targeting sectors when there are sound immediate reasons to do so – the strategy mentions a good example: Kosovo metal processing companies could be good partners for German firms in supporting the mining industry.
- f. Implement the one-stop-shop as the office that will provide excellent services to potential investors, from the first inquiry to site selection and assistance with legal and regulatory issues. In the immediate future potential investors are likely to be diaspora or regional investors. Improve customer relations management.
- g. Be conservative with promotion efforts, in particular internationally.

7. Support during the negotiation and due diligence stages to investor-investee relationships.

The IT company Cactus has been approached by potential investors, and has asked KPEP for M&A advisory assistance. KPEP is interested in assisting the firm and has offered expert advisory services to Cactus. This process will likely take several months.

IV. COMPONENT 4: WORKFORCE DEVELOPMENT

Component Strategy: Building on our experience in the first year of the project, KPEP is continuing to implement the same basic strategy in workforce development. Programs are focused on both current and future workers. Our overall approach is to design, pilot, assess and refine, and then go to scale with specific workforce development (WfD) activities.

Our first objective is to identify and address critical workforce development issues in specific KPEP sectors. This includes identifying skills gaps, providing targeted training, and improving job placement through job fairs and internships. Where possible, KPEP also seeks to institutionalize training programs with local workforce development organizations by introducing demand driven curricula, training, and practical skill-building programs. The ultimate goal is to make such training available at scale through institutional adoption, and to contribute to growth and improvement of local institutions. In that phase, KPEP will shift to a capacity-building activity, and away from direct service delivery. KPEP also seeks to assist selected workforce development institutions to better meet the needs of individuals and industry. An initial feasibility study of municipal-based Youth Employment Service (YES) centers was undertaken at the beginning of Year Two; the report was highly positive and recommended establishment of pilot centers in two municipalities from a list of six candidates.

Finally, KPEP seeks to expand the economic opportunities available in the economy, particularly for youth. In a slow-growing economy with many more new entrants each year and only a few jobs available in the formal sector, new approaches are required. KPEP provides support to individuals to learn how to plan and develop their own enterprises. The Pilot Entrepreneurship/Micro-Enterprise Training Program is KPEP's first substantial effort in this field.

■ Success Stories ■

Entrepreneurship Training Program – Start-ups

Fifty participants received certificates for successful completion of 10 weeks of intensive entrepreneurship training. Eight of the best business plans will benefit from assistance from both the Business Support Center in Kosovo (BSCK) and KPEP. The BSCK package includes a favorable loan scheme, free consultation, and a business registration service. Two KPEP grants will match 20% of the total loan amount. Kaltrina, a 20 year old businesswoman from Gllgovc, one of the eight best candidates, opened a child care service in her hometown.

Accounting and Finance Training and Internship Program

The USAID Mission Director distributed certificates to twenty five students of the Faculty of Economy and Finance, for successful completion of the Accounting and Finance Training and Internship Program. Seventeen out of twenty five students obtained employment after finishing the two month internship program.

International Accreditation for Welding Training Center

On March 31, KPEP signed the Letter of Agreement with Kosovo Energy Corporate (KEK), to support the international accreditation of the KEK Training Center for providing internationally recognized welding courses and certification.



Picture 1: USAID MD, distributing award to Kaltrina, one of 8 best business plan winners of the Entrepreneurship Training Program



Picture 2: USAID MD, distributing certificates to 25 students who successfully completed the Accounting & Finance Training and Internship Program



Picture 3: KPEP COP signed the LoA with KEK Managing Director, to support the international accreditation of the KEK Training Center for Welding

Objective 1: Identify and address critical workforce development issues in KPEP target sectors

Anticipated Results	
<p>The Workforce Development Team anticipates two levels of results</p> <p><i>Future Worker Initiatives:</i></p> <ul style="list-style-type: none"> • Increase in internships from 30 in Year One to a total of 70 in Year Two • Higher rates of employment among graduates who participate in internships, as compared to their non-intern peers • Increase in participants in job fairs from 55 in Year One to 300 in Year Two • Internship placement from job fairs to 30 in Year Two • Full-time direct employment placement from job fairs to 50 in Year Two • Increased rate of employment of VEC and VTC graduates from their participation in job fairs as compared to their non-participating peers. <p><i>Current (Incumbent) Workers:</i></p> <ul style="list-style-type: none"> • Increased subject matter knowledge as measured by pre- and post-training questionnaire • Increased competitiveness of potential workers in the construction sector through an international-standard level training program in welding • 1 welding instructor and 1 welding engineer will be trained • KEK training center will be licensed as internationally recognized center • 50-70 incumbent workers in construction will receive internationally recognized certificates on welding. 	
Activities	Status
1. Dairy Internship Program Phase 2	1. Ongoing
2. Regional Job Fairs a. ICT job fair b. Tourism job fair	2. Ongoing a. Completed b. Planned for Q2, postponed to Q3
3. Internship Programs a. Wood Industry Internship b. Construction Internship	3. Ongoing
4. Good Agriculture Practice (GAP) Good Wild Crafting Practice Training	4. Ongoing

5. Building Materials International Standards Training	5. Ongoing
6. Heavy Equipment Operators Training	6. Ongoing
7. Skills Trainings offered by the ICT Association	7. Planed for Q3

2nd Quarter Progress

The activities implemented during the 2nd quarter indicate that we are on track to achieve our anticipated results for Year 2. A large number of highly successful training programs have been implemented in key KPEP sectors.

- 1. The Dairy Internship Program Phase 2** – The Initiative for Agricultural Development of Kosovo (IADK) was the only company that applied for implementation of Phase 2 of the Dairy Internship Program. The project implementation started on March 2010. A total of 15 senior students were recruited (5 mentors from phase 1 and 10 senior students). For more information please refer to the Agriculture report.
- 2. Regional Job Fairs** –No activities occurred in the 2nd quarter. The Tourism Job Fair was postponed for Q3 since KOTAS, is dealing with the organization of the ‘Travel Day Fair’ event. WfD and the Tourism Specialist agreed to organize the Tourism Job Fair in May 2010.
- 3. a. Wood Industry Internship Program** – On February 26, 2010, KPEP signed a contract with the Association of Wood Processors in Kosovo (AWPK) to implement the Wood Industry Internship. Prior to starting the project, AWPK identified the needs of companies (members of the Association) for interns and agreed that companies will cost-share interns’ stipends. The internship program was announced in VET/VTC, at the Faculty of Applied Science Ferizaj, and in the local media. A total of 30 candidates applied. The list of applicants was sent to seven interested wood processing companies. AWPK scheduled and monitored the interview process. Although the project targeted 15 interns, the Association reported placement of 16 interns.
- 3. b. Construction Internship Program** - On February 26, 2010, KPEP signed a contract with the Road Construction Association in Kosovo (RCAK) to implement the Construction Internship Program. Prior to starting the project, RCAK identified the needs of companies (members of the Association) for interns, and prepared the brochure announcing the internship program. The project aimed to recruit 10 senior students from the Faculty of Civil Engineering and 1 student of Economy (placed in RCAK). The recruitment process has not started yet.
- 4. Good Agriculture Practice Training** – Training on good agricultural practices was organized in 11 villages during February and March. More than 466 Collectors were trained, out of which 272 were youth, 219 were minorities and 81 were women. For more information please refer to the Agriculture section.
- 5. Building Materials International Standards Training** - On March 9, 2010, KPEP organized a meeting with BMMs to identify needs and challenges that they are facing

during the production and export process. For more information see the Construction Materials Subsector Report).

6. Heavy Equipment Operators Training – KPEP selected HeviCert to provide training and certification for 40 current heavy equipment operators. For more information refer to the Construction section.



Objective 2: Institutionalize training programs within local workforce development organizations to ensure sustainability

Anticipated Results

KPEP anticipates the following results:

- Skills demand analysis produced for three sectors, shared with MEST and relevant industry associations and member firms
- Two curriculum proposals prepared and offered to MEST National Committee on Curriculum
- At least one curriculum adopted by the Committee and implemented in VECs doing instruction in that profile
- Coaching and technical assistance is developed and refined, and achieves acceptance by VTCs adopting curriculum

Activities	Status
1. Furniture Design Curriculum for Technicians	1. Ongoing
2. Adoption of HACCP course into curricula at appropriate institutions	2. Ongoing
3. Develop approach to ICT curriculum from needs identified in skills gap analysis	3. Planned for Q2-Q4
4. KEK Training Center Accreditation in welding program (NEW)	4. Ongoing

2nd Quarter Progress

The activities implemented under Objective 2, during the 2nd quarter indicate that KPEP is on track to achieve most of the anticipated results. In light of developments related to the National Qualification Agency and framework and reestablishment of the VET Council for Curriculum Development, some anticipated results could be postponed to Year 3. This includes curriculum adoption, coaching, and technical assistance.

1. Furniture Design Curriculum for Technicians – Skills Gap Analysis in the Wood Industry was finalized. The findings of the survey indicate that VET/VTCs in carpentry and the Faculty of Applied Science in Wood Processing do not equip students with the necessary skills to start work. There is an immediate need to develop curriculum and train

teachers in CNC machines, furniture designing and marketing/sales courses. The findings of the survey will be introduced to all relevant stakeholders on April 15, 2010.

2. Adoption of HACCP course into curricula at appropriate institutions – KPEP is working closely with Swiss Contact and MEST to include HACCP standards into curricula, but the process of inclusion will take time. KPEP has sent a request to the Director of the VET Department – Ministry of Education, to provide training on HACCP standards which will increase awareness and educate students and teachers of the Agriculture school, on the importance of HACCP standard certification and implementation. KPEP also prepared and offered two curriculum proposals to the National Curriculum Council.

3. Develop approach to ICT curriculum from needs identified in skills gap analysis - This will be initiated in Q3.

4. International accreditation of the KEK Training Center for Welding- On March 31, KPEP signed a Letter of Agreement with KEK, to support the accreditation of the KEK Training Center for providing internationally recognized welding courses and certification.

 **Objective 3: Assist selected workforce development institutions to better meet the needs of individuals and of industry; ensure that training is more practical and experiential**

Anticipated Results	
Internships	
<ul style="list-style-type: none"> • Internships with the Ministry of Economy and Finance, the Ministry of Trade and Industry, the Chamber of Commerce, and Kosovo Customs are successful, and replicated with at least one other ministry • A minimum of 20 interns are successfully recruited and placed • At least 10 interns are hired full-time following graduation • Improved dialogue and coordination between workforce development organizations and industry • The Youth Employment Service Program feasibility study is undertaken 	
Activities	Status
1. Support continued and expanded cross-sector internships	1. Ongoing
2. Improve coordination and cooperation between workforce development organizations and industry	2. Ongoing

<p>3. Conduct feasibility study for the development of municipality-based Youth Employment (YES) Centers</p>	<p>3. Completed</p>
<p>2nd Quarter Progress</p>	
<p>The activities implemented during the 2nd quarter indicate that KPEP will exceed the anticipated results for Year 2. In the 2nd quarter alone, the Accounting and Finance Training and Internship Programs resulted with placement of 25 interns and 17 jobs created.</p>	
<p>1. Support continued and expanded cross-sector internships</p> <p>1.1. Business and Economics Internship Program – Building on successes of our pilot cross-sector internship program, KPEP will start the second phase of the Business and Economics Internship Program, which will include 40 interns.</p> <p>1.2. Accounting and Finance Training and Internship Program – Implemented by the Association for Finance and Accounting Services (AFAS), this program offered internship placement for 25 candidates (72% female). 17 of them were offered a job. On April 1, 2010, KPEP, in cooperation with AFAS, organized the certificate ceremony at which 25 interns were awarded certificates for successful completion of the internship and training program. In April, the second phase of the Accounting and Finance Training and Internship Program will begin. This program will target 100 senior students of the Faculty of Economy and Finance, while interested banks and microfinance institutions will host interns and will pay the internship stipend.</p> <p>2. Improve coordination and cooperation between workforce development organizations and industry - KPEP and KOSVET VI are working together to organize the WfD implementers meeting – Entrepreneurship Focus Group, to discuss common standards for providing entrepreneurship training, finding possibilities for microfinance and a follow up process for the best entrepreneurs. The results of the meeting will be the platform for the second phase of the entrepreneurship training program.</p> <p>3. Youth Employment Skills/Service Program – The Ministry of Youth Culture and Sports’ Department of Youth made an official request to KPEP to provide consultation/advice during the process of establishment and implementation of the YES programs into the Youth Centers.</p>	



Objective 4: Increase economic opportunities, particularly for youth, by building entrepreneurial skills

Anticipated Results
<p>Youth Entrepreneurship</p> <ul style="list-style-type: none"> • Program successfully launched in first quarter • Curriculum modules reviewed and approved • 50 youth successfully recruited and engaged • 40 youth with completed business plans • 30 or more business plans are successfully matched with micro-finance resources • 25 small businesses still operating at end of first year • 50 new jobs are created

- 10 firms expand and are offered financing for expansion

SMME Enterprise Expansion Support

- 25 small firms are targeted for expansion and agree to participate in Phase 2 entrepreneurial training
- 15 firms finish training
- 10 firms receive expansion capital
- 50 new jobs created within 1 year

Activities	Status
1. Phase 1 Entrepreneurship – Youth Enterprise Start-Ups	1. Completed
2. Greenhouse as a business training	2. Ongoing
3. Start-up Weekend in Prishtina	3. Completed
4. Business Case Challenge – in ICT product development	4. Ongoing
5. Entrepreneurship — SMME expansion support	5. Planned for Q3

2nd Quarter Progress

Progress in achieving the anticipated results in this objective has been excellent. As a result of the intensive entrepreneurship training program, 43 candidates prepared business plans, 50 candidates were certified and the 8 best business plans were awarded with the BSCK package: an opportunity to apply for a favorable loan program (5% interest rate), free consultation and the two best business plans will receive a grant from KPEP (20% of the total amount of the loan).

1. Phase 1 Entrepreneurship Training Program - Start-Ups

The Business Support Center in Kosovo (BSCK) successfully delivered 9 modules of entrepreneurship training programs and one week of consultation to all candidates who developed a business plan. Interested candidates have prepared business plans which were presented and evaluated by the committee which consisted of KPEP, a professor and a representative of NLB Bank. On February 5, KPEP organized a roundtable with 12 young entrepreneurs from Gllgovc/Glogovac and Prizren, as well as the USAID Mission Director, the Economic Growth Officer and the CTO, to get feedback from the participants regarding the training quality and how the entrepreneurship training can be improved to fit the need of future entrepreneurs. The training was evaluated very highly by all participants present and recommendations were made (trainings to be more interactive, the financial plan module to be basic to fit the needs of participants, and entrepreneurship trainings to be linked with skills training programs). On February 5, BSCK organized the Winning Ceremony, at which 50 participants were awarded with certificates for attending the Entrepreneurship School, and eight (four from Gllgovc/Glogovac and four from Prizren) were awarded the BSCK package (loan, free of charge consultation, and assistance for registering the business). Two of the eight received a KPEP grant of 20% of the received loan. BSCK reported that three out of eight winning participants already applied and received a loan. In total, three participants raised €29,684. The rest of the candidates are in the process of consultation and document preparation for making an official application for a BSCK/NLB loan. KPEP also contributed to reduction of the informal economy, since all applicants should be

registered as a regular business in order to apply for the loans.

- 2. Greenhouse as a business training** – KPEP, in cooperation with Swiss Contact, initiated the training “Greenhouse as a business”, to upgrade the skills of five participants of the entrepreneurship training program whose business idea was establishment of a greenhouse and seven others also interested in establishing or having greenhouses. The training is implemented by BSCK and Agriculture school in Prishtina. The training comprises six training modules (34 days in total). The training is ongoing and will be finalized the first week of May.
- 3. Start-up Weekend in Prishtina** – KPEP co-funded ECIKS’ “Start-up Weekend in Prishtina,” which was attended by 58 students (32 men and 26 women). The aim of the activity was to train 100 applicants (students) on management and interpersonal skills and preparation of new business ventures. The 58 candidates divided into seven groups which then identified feasible business ideas, developed their ideas into business projects, and then presented their business ideas in front of a committee made up of international and local businessmen and experts. The business ideas were primarily focused on the agricultural and service sectors.
- 4. Business Case Challenge in ICT Product Development** – Building on the successful experience of the first year, KPEP sponsored the Business Case Challenge (BCC) 2010 (partnership level A). The partnership level A includes many benefits. Among them, the competition holds the name of the sponsor; selection of the subject matter for the competition; influence in the selection of students; provision of jury members to the competition; unlimited job announcements on the BCC website and in eBCC news; provision of a KPEP representative as a key-note speaker; and prominent name recognition in the competition and participation in the recruitment event. KPEP provided the case challenge in ICT product development. The BCC was announced in the Faculty of Economics and the Faculty of Engineering. Out of 26 students who applied, 15 were selected. The selected students will be trained on six different areas: presentation skills, career coaching, and four trainings related to the competing discipline. The students will be divided into six groups to develop their business plans, which will be presented at the final competition on 7-9 of May.

V. MANAGEMENT AND OPERATIONS

D. PERFORMANCE BASED-MANAGEMENT SYSTEM

1. Summary

During the second quarter of the fiscal year 2010, KPEP-supported firms achieved significant growth in sales, investment, and full time jobs. The Year 2 target increase in sales was set at €20 million. The cumulative life-of-project (LOP) increase in sales is €32.3 million, which means that we have already exceeded the target for year two. The main contributors for the increase in sales are the construction sector with 64.8 percent, wood processing with 18.9 percent and agriculture with 10.3 percent. The ICT sector contributed with 2.9 percent, the tourism sector with 1.6 percent and the BSP sector with 1.5 percent.

Progress to Date Highlights			
	Y2 Target	Q2-FY10	Performance Evaluation
Increase in sales ³ , million Euros	20.1	32.3	↑
Increase in investment, million Euros	8.0	13.8	↑
Increase in exports, million Euros	-	17.0	↑
Increase in number of full time jobs ⁴	2,018	751	↓
Number of enterprises assisted in KPEP database	85	57	↓
Number of business services providers (BSPs)	30	15	↓
Number of people trained	1,400	2,875	↑

Cumulative LOP investment growth is €13.8 million, already exceeding the Year 2 target of €8 million. The main contributors for the increase in investment are the construction sector with 81.1 percent, the wood processing sector with 10.3 percent and agriculture with 8.1 percent. The ICT and transactional sectors (tourism, recycling and metal processing) contributed with 0.5 percent.

KPEP-assisted companies have added 751 full time equivalent (FTE) jobs since the beginning of the project. While we are still below our Year 2 target increase of

2,018 FTE jobs, this is a very good result given the seasonal nature of two of our major sectors (agriculture and construction) and the ongoing effects of the global economic downturn. The KPEP sectors and components account for this job increase as follows: the construction sector with 61.4 percent, the agriculture sector with 23.6 percent, BSPs with 5.6 percent, wood processing with 4.3 percent, the tourism sector with 3.8 percent and ICT with 1.3 percent.

Cumulative LOP data for exports show an increase over the baseline of €17.0 million. The exports/imports coverage ratio for KPEP-supported sectors is at 70.1 percent. The Kosovo-wide data show a 15.2 percent exports/imports coverage ratio for the period ending January 2010.

³ This figure combines sales increase in targeted sectors and BSPs.

⁴ This figure combines FTE job increase in targeted sectors and BSPs.

The main contributors for the increase in exports jobs are the construction sector with 62.7 percent and agriculture with 35.1 percent.

Below is the performance of KPEP sectors and sub-sectors for the LOP on the key indicators: sales, exports, jobs and investment.

Sector	Sub-sector	Increase in Sales	Increase in Exports	Increase in FTE Jobs	Increase in Investment
Agriculture		3,338,573	5,970,997	176.89	1,113,039
	Dairy	3,711,219	626,411	42.18	593,879
	Fruits and vegetables	906,138	2,273,736	(4.24)	346,660
	Non-wood forest prod.	(1,280,795)	3,070,850	112.70	172,500
	Poultry meat process.	2,011	-	26.25	-
Construction		20,905,459	10,674,731	460.99	11,203,809
	Construction Materials	5,364,643	20,000	216.48	3,705,833
	Road Construction	15,540,816	10,654,731	244.51	7,497,976
ICT		934,788	20,000	9.57	57,592
	ICT	934,788	20,000	9.57	57,592
Metal Processing		-	-	-	15,000
	Metal Processing	-	-	-	15,000
Recycling		15,141	1,401	0.34	1,200
	Recycling	15,141	1,401	0.34	1,200
Tourism		501,397	106,483	28.34	12,480
	Tourism	501,397	106,483	28.34	12,480
Forestry and Wood Processing		6,115,635	250,622	32.49	1,419,308
	Wood Processing	6,115,635	250,622	32.49	1,419,308
	Forestry	-	-	-	-
Business Service Providers		491,098	-	42.01	-
	BSPs	491,098	-	42.01	-
Grand Total		32,302,091	17,024,234	750.63	13,822,428

The distribution of the total number of enterprises by sector is as follows: agriculture sector with 21 enterprises; construction sector with 13 enterprises; tourism sector with 10 enterprises; wood processing with 6 enterprises; ICT with 5 enterprises; and recycling sector with 2 enterprises. There are 15 business service providers in the client database of component two.

To date, a total of 2,875 people were trained since the start of the project, of which 2,391 were males and 484 were females. Below are the number of people trained, disaggregated by the type of training for the LOP:

- 1,256 people participated in KPEP-supported presentations
- 810 attended training

- 36 participated in the twinning partner training program
- 133 participated in roundtables
- 409 participated in different workshops
- 224 participated in conferences organized or supported by KPEP, and
- 7 individuals participated in study trips.

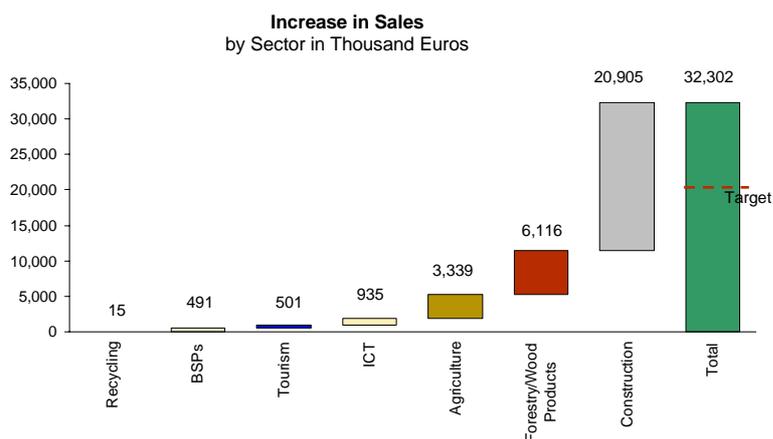
During this quarter 840 people were trained, of which 701 were male and 139 were female.

Contextual Indicators:

Indicator	KPEP	Kosovo	Central and South East Europe & CIS	Developed Economies and EU	World
Sales/GDP Growth ⁵	27%	-9%	1.8%	1.3%	3.1%
Trade/Export Growth ⁶	2,186%	-34%	N/A	2.0%	2.5%
Foreign Direct Investment ⁷	0	-30%	-46% q1	-46% q1	-44% q1
Unemployment Rate ⁸	N/A	39-41%	9.4-10.8%	8.3-8.5%	6.3-6.9%
Employment Growth ⁹	27%	3%	-2.5-1.8%	-2.6-2.4%	0.3-1.0%

2. Sales

The total increase in sales reached €32.3 million, both in enterprises under component one (agriculture, construction, forestry and wood products, ICT and tourism sectors) and BSPs, under component two. After 18 months of operations, KPEP has achieved a 27 percent growth in sales. This is a very positive development considering the global recession. The



construction and wood processing sectors remained the main contributors to the sales growth. The main contributors to this increase are seven construction companies: (Eurokos, Eskavatori, Lin Projekt, Bejta Commerce, Papenburg & Adriani, Graniti and KAG Asphalt), two agriculture companies (Pestova and Abi), one wood processing company (Lesna), and one ICT

⁵ Source: IMF, World Economic Outlook, October 2009, data are 2010 estimates; Tax Administration of Kosovo, December 2009; KPEP data

⁶ Source: IMF, World Economic Outlook, October 2009, data are 2010 estimates; Statistical Office of Kosovo, November 2009; KPEP data

⁷ Source: UNCTAD, World Investment Report, 2009; Central Bank of Kosovo, June 2009; KPEP data

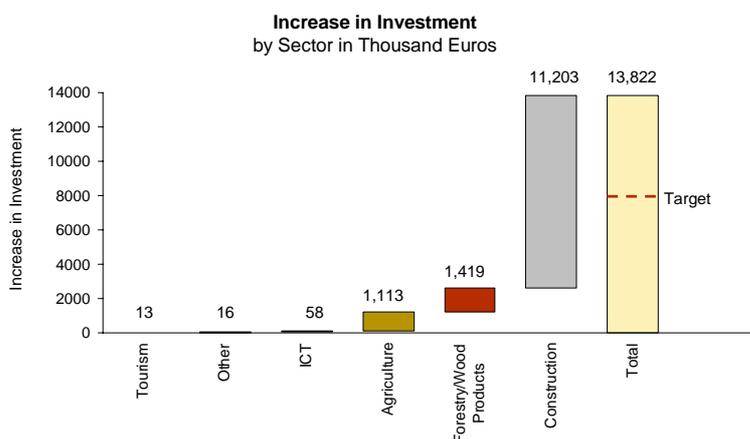
⁸ Source: ILO, Global Employment Trends Update, January 2010; Ministry of Labor and Social Welfare, December 2009; KPEP data

⁹ Source: ILO, Global Employment Trends Update, January 2010; Ministry of Labor and Social Welfare, December 2009; KPEP data

company (Cacctus).

3. Investment

The total value of investments reached €13.8 million, thus exceeding the Year 2 target of €8 million. The construction sector continues to drive the investment growth among KPEP firms representing 81 percent of the project’s total reported increase in investment. From the list of



top ten investing companies, nine are construction firms, and one is a wood processing company, Lesna. Investment in these ten companies represents 87 percent of the total value of the project’s investment increase. 43 companies out of a total of 57 companies made investments since the KPEP project started. Six construction companies invested more than €1 million

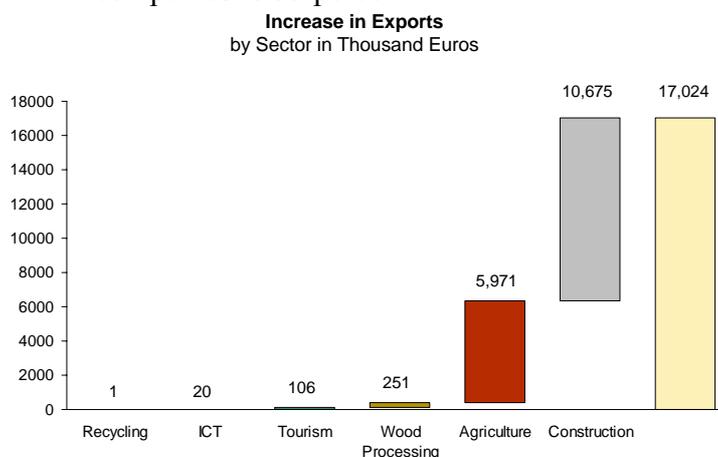
each: Eskavatori, Renelual Tahiri, Lin Projekt, Fitorja, Papenburg & Adriani and Graniti. All of this is domestic investment.

No FDI was recorded by KPEP enterprises and no data for 2009 is available for Kosovo. However, the Central Bank of Kosovo projects that FDI will fall this year by 30-35 percent.

4. Exports

The increase in exports to date for the LOP is €17.0 million. During this quarter, there was an increase in exports of €1.1 million. The construction sector is still the main contributor to export growth, accounting for 60 percent of KPEP enterprises. During this quarter, companies in the agriculture sector exported more than €1 million. This raised their share of the overall increase in exports of KPEP companies to 35 percent.

During this quarter, exports of KPEP-supported enterprises in all targeted sectors were €1,293,124, while imports were €3,710,768. This provides for an export/import coverage ratio of 35 percent, more than two times higher than Kosovo’s coverage ratio of 15.2 percent.



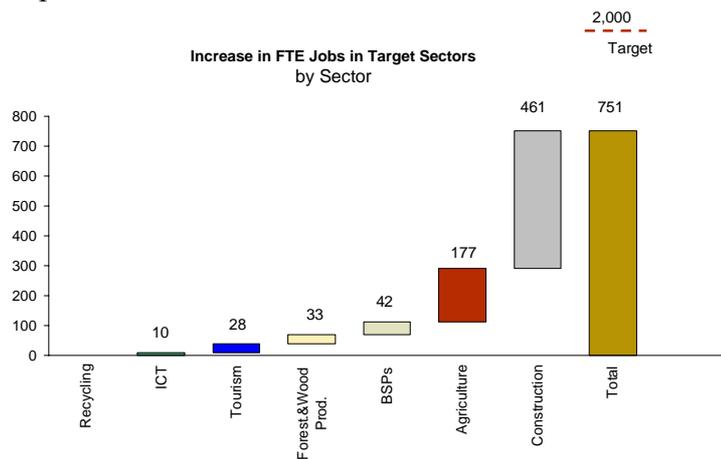
The main exporters during this quarter were Pestova (potatoes and chips), Lesna (doors and windows), Agroalbi (spices), Agroprodukt Commerce (mushrooms) and Etlinger (pickled peppers), each exporting goods valued at more than €80,000. All companies, except Lesna, belong to the agriculture sector. Pestova was again the leader in exports, exporting potatoes

and chips valued at €500,000, approximately the same value that it had exported during the previous quarter.

5. Full Time Jobs

The total LOP increase in FTE jobs is 751, of which 709 were created in enterprises of component one and 42 in the business service providers of component two. During this quarter, 278 new FTE jobs were created in enterprises that operate under component one sectors, and five new FTE jobs in component two.

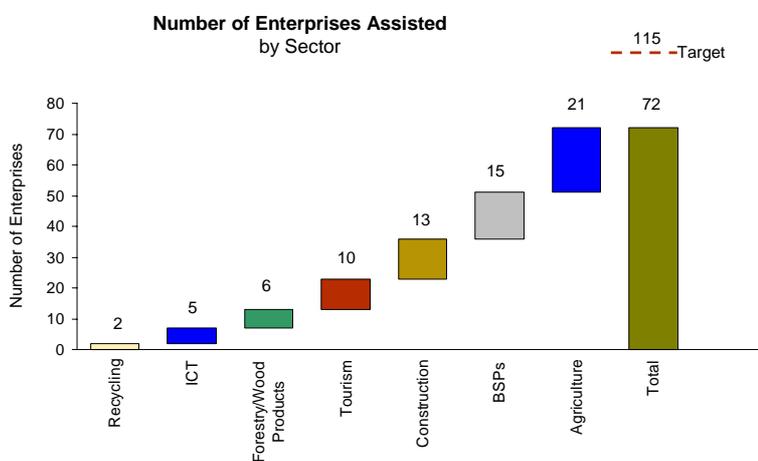
The construction sector’s share of the LOP increase in FTE jobs is 61.4 percent, agriculture has a 23.6 percent share in the increase. BSPs represented a 5.6 percent share, wood processing a 4.3 percent share, tourism a 3.8 percent share, and ICT, 1.3 percent. The main contributors to this increase are companies in the construction sector, including: Lin Projekt, Eurokos, Fitorja, Bejta Commerce and KAG; companies in the NWFP sub-sector: Hit-Flores, Scardus, and Agroprodukt Commerce; and vegetables company, Etlinger.



BSPs realized an increase of 42 FTE jobs, a figure that exceeds the LOP target of 36 FTE jobs. While KPEP is below its job creation target, the project has been able to achieve a 32 percent increase in full time jobs.

6. Number of Enterprises Assisted

The KPEP client database includes 57 enterprises in component one and 15 enterprises (BSPs) in component two, as of the end of this quarter. These are companies that KPEP has assisted and that have agreed to share their performance data with KPEP. (The reach of KPEP in the private sector is much wider than this. KPEP’s activities reach approximately 500 companies). In this quarter, three new enterprises were added to the PBMS, one in tourism, and two in agriculture. This is still below the original target of 115, which should be reached by the end of Year 2. From 57 enterprises in component one, 21 enterprises belong to the agriculture sector, 13 are construction enterprises, and six enterprises are in the wood processing sector. In addition, five enterprises are in ICT, ten enterprises belong to the tourism sector, and two to the recycling sector.



7. Transactional Data

During this quarter, the Wood Processing Specialist reported support to the manufacturing company Hilmi Deva BHD from Gjakova. In March, this company exported wooden boxes (A4 type) to the Netherlands for a value of €2,880.

The table below presents the results in the key performance indicators of the tourism sector for this quarter:

Company		Indicator					KPEP's Attribution %
		Sales (Euros)		Employees		Investment	
		Domestic	Export	Full-time	Part-time		
1	NGO Rugova Experience	500	-	1	-	-	75%
2	TPD Consulting	5,990	3,360	2	-	570	75%
3	The Ranch	1,425	3,005	5	4	-	75%
4	NGO Jeta	1,510	300	5	3	-	50%
5	Rudi Group	12,200	2,920	7	3	-	75%
6	Kosovo Tourist Group (Start-up)	1,040	2,120	2	1	500	75%
7	Intour & Travel (Start-up)	17,390	4,018	1	1	-	75%
8	NGO Rural Tourism Novoberdo/Nuovo Monte	300	-	-	3	-	25%
9	Sports Caffè Mezeria	19,740	8,460	7	-	-	75%
Total		60,095	24,183	30	15	1,070	

8. Microenterprises

USAID's economic growth programs in Kosovo are aimed at value chain improvements through greater competitiveness of firms, and their products and services.

Microenterprises have been an important beneficiary of the USG assistance program. Sectors where competitiveness requires product standardization at the producer level, such as dairy programs, have significant results on microenterprises. Mission support has focused on assistance to sectors where a significant number of microenterprises participate in the value chain, including organizations in agriculture, tourism, ICT and wood products. The mission also supported microenterprise development in addressing cross-cutting issues in workforce development, business enabling environment, and business support services.

This quarter KPEP assisted microenterprises to improve their performance, improve their production capabilities, focus on new product development and establish linkages with larger firms to make them part of the local value chain. Total KPEP resources devoted to supporting microenterprise development to date are \$3.4 million.

Examples of KPEP's activities in support of microenterprises include:

- New product development in dairy processing. KPEP, with students from AUK, conducted a dairy retail audit to determine the categories where imports are sold and

Kosovo is not competing. This includes all types of cheese, dairy desserts and cultured products.

- Providing assistance to establish HACCP and organic certification. KPEP assists firms to access new markets. To enter these markets, a HACCP certification is a basic requirement. KPEP anticipates that four companies will be certified by the end of year two.
- International Study Tour in Best Practices. KPEP and World Learning sent a group of 7 firms -‘experience providers’- to attend a training program in Bulgaria and Austria on tourism packages.

9. Trade Capacity Building

Building on work completed in the first Quarter of Year 2, when KPEP focused “on building a base of realistic understanding of trade principles and concepts among the GoK and the private sector,” the Project has, in the second quarter, developed and begun implementation of an ambitious plan for bringing a new level of pragmatism to Kosovo’s approach to trade.

The plan consists of three major components, with an implementation period from March through July, 2010:

- The first component was planning, with World Learning and Diplomacy Dialogue, a Study Tour to Geneva for ten Kosovo government and civil society officials. The participants were chosen based on their operational positions in government, and their pragmatic views of Kosovo’s position in regional and global trade integration. The objectives of the visit are to provide a strong base of understanding of practical approaches to trade policy, facilitation and negotiations so that Kosovo may meaningfully participate in the trade community. The study tour will take place in May;
- After the Geneva Study Tour, the group of participants will become the core of a new Trade Rapid Response Team set up as a coordinating committee, policy advisory, and dialogue channel between all the various institutions relevant to the development of responsible trade policy and practice; and,
- The final component is a plan that will seek to maximize the benefits of the above activities through the development of a blueprint for the methodology used by the GoK, donors, and especially the Rapid Response Team in establishing dialogue and preparing policy courses of action. This is an urgently required interim measure designed to address critical short term issues in trade policy formulation and implementation with laying the ground work for a full Trade Policy Roadmap that will be undertaken by USAID in the coming year. The blueprint would allow some of the critical first steps to be taken immediately following the trade training program and the establishment of the Rapid Response Team and build on the momentum established of the study tour. It will result in the preliminary structures necessary to initiate policy development and negotiations at the regional level and beyond, as well as in an informed group of stakeholders, when the Trade Policy Roadmap is begun.

KPEP is also working on an analysis and best practices guide in the complex area of VAT reimbursement on imports that go into the manufacturing process of products that will be re-exported. A comprehensive look at policy and practice in Kosovo will be followed by the development of a set of comparative best practices culled from similarly situated countries in the region and beyond. We expect to deliver these findings to the GoK and assist in reform.

KPEP researched and drafted the Agribusiness Climate, Legal and Institutional Reform Diagnostic during this Quarter. Included in the final work was a comprehensive chapter on Crossborder Trade that will undoubtedly have a long term positive effect on reform and development assistance.

Additional trade capacity building work includes a number of demand driven activities that seek to facilitate trade directly.

Support continues with key Kosovo industries to export to the EU, more fully participate in regional trade through established agreements, and reduce the massive trade imbalance. USG assistance supported exports of Kosovo products, including processed agricultural products such as pickled peppers, niche products such as wild mushrooms, blueberries, UHT milk, and cream with peppers, and processed wood and non-wood products.

Modern quality standards were a significant focus of assistance as a necessary step to prepare firms in Kosovo to be able to export. The USG contributed to a food processor in Kosovo achieving full Hazard Analysis Critical Control Points (HACCP) certification. To date, five companies are certified. KPEP continues to work with local producers to obtain HACCP and organic certification. We assisted the Kosovo Veterinary and Food Agency to develop dairy product specification standards to be included in the overall food regulatory “food hygiene package”. Steps were taken toward achieving preconditions for forest certification to increase the competitiveness of Kosovo’s wood products. KPEP also works with road construction companies and building materials firms to help them improve product quality and to obtain certifications. In the ICT sector, KPEP is supporting training programs in which ICT professionals can obtain internationally recognized certifications. We have also initiated a program that will offer PMP (project management) certification in Kosovo.

Activities facilitated trade linkages for Kosovo products. The USG supported Kosovo’s second Marketing and Linkages Conference, which brought together producers, processors and retailers. A grant to a business will improve post-harvest handling of fruits and vegetables (e.g., grading/sizing/packing and cold storage facilities), enabling them to increase exports. KPEP facilitated trade show participation in a wood processing fair in Albania in this past quarter, as well as exports to Macedonia, Montenegro, Albania, and Serbia of peppers, potatoes, and UHT milk.

The net results of s was a very healthy jump in exports for KPEP assisted firms in this quarter of €1.1 million and €17 million over the life of the project.

10. PBMS Methodology

The Performance Based Management System (PBMS) monitors progress against program targets, facilitates reporting of the results attributable to KPEP efforts and provides data for reporting to USAID. It identifies successful enterprise, sector and industry clients, interventions, and consultants, and allows the team to compare projected results to actual results on a monthly, quarterly, semi-annual and annual basis. The baseline and targets are set for all indicators for the life of the project.

- Data collection

The KPEP specialists worked with the client enterprises to establish baseline data. Initial baseline data is recorded for the period just prior to implementation of activities that contribute to achievement of results, enabling comparison when measuring progress toward a

specific result or objective. The baseline provides a snapshot of a performance indicator as a point of reference.

For enterprises, baseline data includes jobs, sales, production, investments, foreign direct investment and partnerships. The KPEP specialists are responsible for data collection from enterprises. The PBMS Specialist reviewed the information received and performed quality control. After that, the PBMS specialist entered the data into the project's database. The reports produced from the access database and excel spreadsheets are used for inclusion in quarterly reports to USAID.

- Quality of the data

The sector specialists are responsible for the first-level data quality control. Quality checks have been made to ensure that data collected and included in the database are accurate and reliable. Every single transaction entered in the database was double checked for accuracy.

- Data verification

The PBMS Specialist conducts site visits and interviews with representatives from the client enterprises and organizational partners to verify the results that have been reported. In addition to verification of the accuracy and consistency of the results reported, the PBMS Specialist also determines whether the results were caused by KPEP intervention and thus attributable to the project.

- Status of the Indicators

The status of Project Indicators is set out in Annex 1 entitled *Report on Indicators*. This Annex gives the status of all indicators from the PMP.

11. Attribution

The KPEP Attribution Process is a method for assigning results more specifically to KPEP interventions. In the past, KPEP (and KCBS before it) has captured the quarterly revenue, investment, and job data from our client partners and reported it exactly as it is received regardless of the level of assistance provided to that firm. We will continue to report data in this manner. The KPEP Attribution Process will help capture transaction level data and will assign a percentage of quarterly revenue that KPEP can reasonably be responsible for and accountable for. This process will also help calculate a Return on Investment for Component 1 work, enabling management to compare results versus cost across sectors. This exercise will add valuable insight into the effectiveness of our interventions in specific sectors and can inform our future investment decisions.

The steps are as follows:

1. Collect transactional data on an ongoing basis from both KPEP and non-KPEP firms
2. Collect quarterly data from KPEP firms as usual
3. Subtract transactional data from quarterly data for KPEP client firms
4. Assign an attribution percentage (based on guidelines below) to the remaining client sales based on KPEP activities and support. This percentage should be assigned based on activities and regular formal evaluations by the clients, as well as informal discussions with the client firms
5. Meet as a team inclusive of USAID and outside perspective to debate and defend assigned percentages, come to consensus and consistency across sectors, and discuss problem areas (cases when sales went down relative to the baseline, for example)
6. Report both gross numbers and attributable numbers to USAID
7. Use attributable numbers to calculate rough ROI for internal management purposes

Scoring: Sector specialists will assign a ranking for each company in each quarter based upon what percentage of the firm’s quarterly sales, jobs created or investment KPEP can reasonably take credit for. Scores will be assigned in quartiles 0, 25, 50, 75, or 100%.

Scoring Criteria	
0%	No support was given to the firm in this quarter (includes technical assistance, grants, training, or any activities listed below)
25%	1 medium level activity, or 1-2 low impact activities performed with the client firm having a result on sales, investment or jobs
50%	1 to 2 high level impact activity or 3 or more medium level impact activities (or a combination of low, medium, and high level impact activities)
75%	3 or more high level impact activities (or a combination of activities that includes 2 or more high level and 3 or more medium level activities)
100%	An intensive combination of all levels of activities with a single firm. A 100% ranking should be reserved for only those firms who have received extensive support throughout the reporting period.

Scoring Guidelines: Below is a list of generic activities with low, medium, and high level impact rankings with respect to sales, investment, and job creation for client firms. These activities are to be viewed as guidelines and Sector Specialists may describe other activities not categorized below in supporting the ranking they assign a client firm.

High Impact	Medium Impact	Low Impact
<ul style="list-style-type: none"> • Buyer meetings/introductions • Buyer – Seller negotiations • New product development • Investor materials/presentations • Internships • Agriculture aggregation • Transport and logistics • Other – describe 	<ul style="list-style-type: none"> • Marketing campaigns • Marketing support • Packaging and branding support • Market research • Advisory services • Study tours • Partnership facilitation • Storage facility construction • Management support • Training • Agronomy/productivity support • Certification training • Certification preparation support • Standards preparation • Other – describe 	<ul style="list-style-type: none"> • Trade fairs • Conferences • Agriculture demonstration plots • Feasibility studies • National strategies • Export plans • Other – describe

Following are the results on the attribution regarding four main indicators: sales, jobs, exports and investment for each sector and sub-sector. The attribution data should be regarded as preliminary as we have not yet had our peer reviews to calibrate attribution estimates across each sector.

1. KPEP attribution on sales
 1.1. Total KPEP

Total Quarterly Sales KPEP Firms		€ 12,060,781
Total KPEP Attributable Sales		€ 4,885,382
Attribution % for the quarter		41%

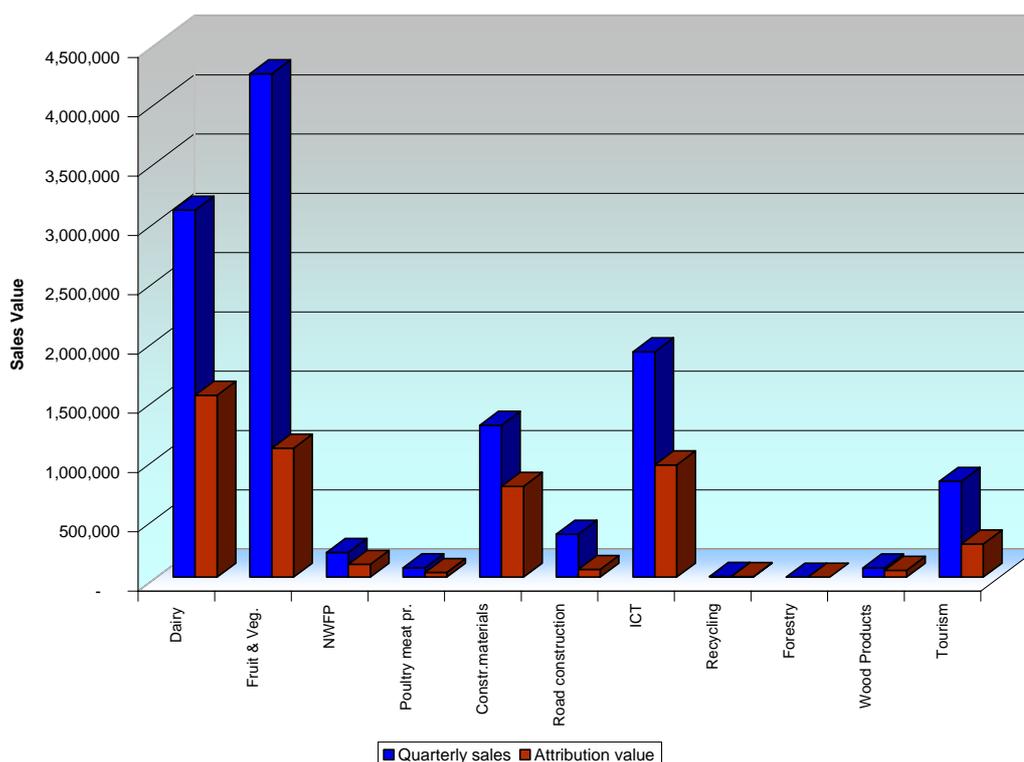
Total Quarterly Sales Non-KPEP Firms		€ 0
Total Non-KPEP Attributable Sales		€ 0
Attribution % for the quarter		0%

Total Sales		€ 12,060,781
Total KPEP Attributable Sales		€ 4,885,382
Total Quarter Attribution %		41%

1.2. By sub-sector

Sector	Sub-sector	Quarterly data	Attribution value	Percentage of attribution
Agriculture		7,625,551	2,766,871	36%
	Dairy	3,094,437	1,533,765	50%
	Fruits and vegetables	4,244,553	1,086,888	26%
	Non-wood forest products	207,750	106,813	51%
	Poultry meat processing	78,811	39,406	50%
Construction		1,642,705	830,157	51%
	Construction Materials	1,280,852	765,223	60%
	Road Construction	361,853	64,934	18%
ICT		1,900,687	946,419	50%
	ICT	1,900,687	946,419	50%
Recycling		6,425	4,819	75%
	Recycling	6,425	4,819	75%
Tourism		77,278	57,356	74%
	Tourism	77,278	57,356	74%
Wood Processing		808,135	279,759	35%
	Wood Processing	808,135	279,759	35%
Grand Total		12,060,781	4,885,380	41%

Of the total value of sales of €12,060,781, KPEP’s attribution is €4,885,380, or 41% of the total amount of the quarterly sales of the KPEP clients.



2. KPEP attribution on exports

2.1. Total KPEP

Total Quarterly Exports KPEP Firms		€ 1,293,124
Total KPEP Attributable Exports		€ 463,912
Attribution % for the quarter		36%

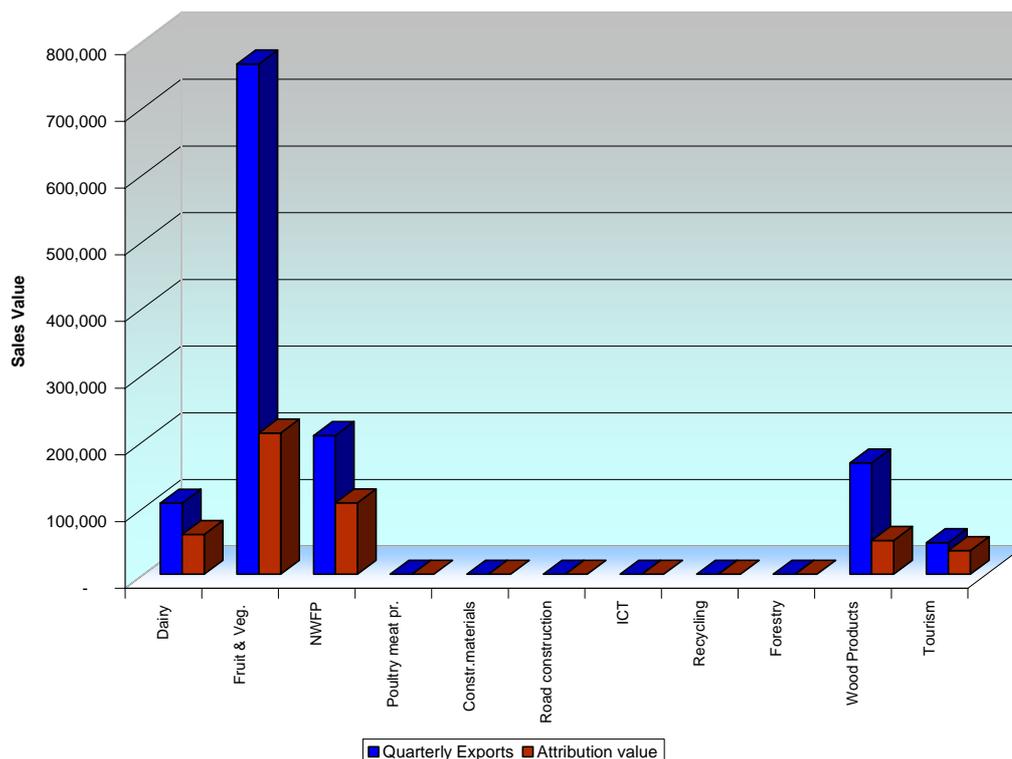
Total Quarterly Exports Non-KPEP Firms		€ 0
Total Non-KPEP Attributable Exports		€ 0
Attribution % for the quarter		0%

Total Exports		€ 1,293,124
Total KPEP Attributable Exports		€ 463,912
Total Quarter Attribution %		36%

2.2. By sub-sector

Sector	Sub-sector	Quarterly data	Attribution value	Percentage of attribution
Agriculture		1,079,061	378,016	35%
	Dairy	106,504	59,502	56%
	Fruits and vegetables	764,807	211,702	28%
	Non-wood forest products	207,750	106,813	51%
	Poultry meat processing	0	0	0
Construction		0	0	0
	Construction Materials	0	0	0
	Road Construction	0	0	0
ICT		0	0	0
	ICT	0	0	0
Recycling		0	0	0
	Recycling	0	0	0
Tourism		47,183	35,312	75%
	Tourism	47,183	35,312	75%
Wood Processing		166,880	50,583	30%
	Wood Processing	166,880	50,583	30%
Grand Total		1,293,124	463,911	36%

Of the total value of exports of €1,293,124, KPEP's attribution is €463,911, or 36% of the total amount of the quarterly export sales of the KPEP clients.



3. KPEP attribution on investment

3.1. Total KPEP

Total Quarterly Investment KPEP Firms		€ 1,324,301
Total KPEP Attributable Investment		€ 545,017
Attribution % for the quarter		41%

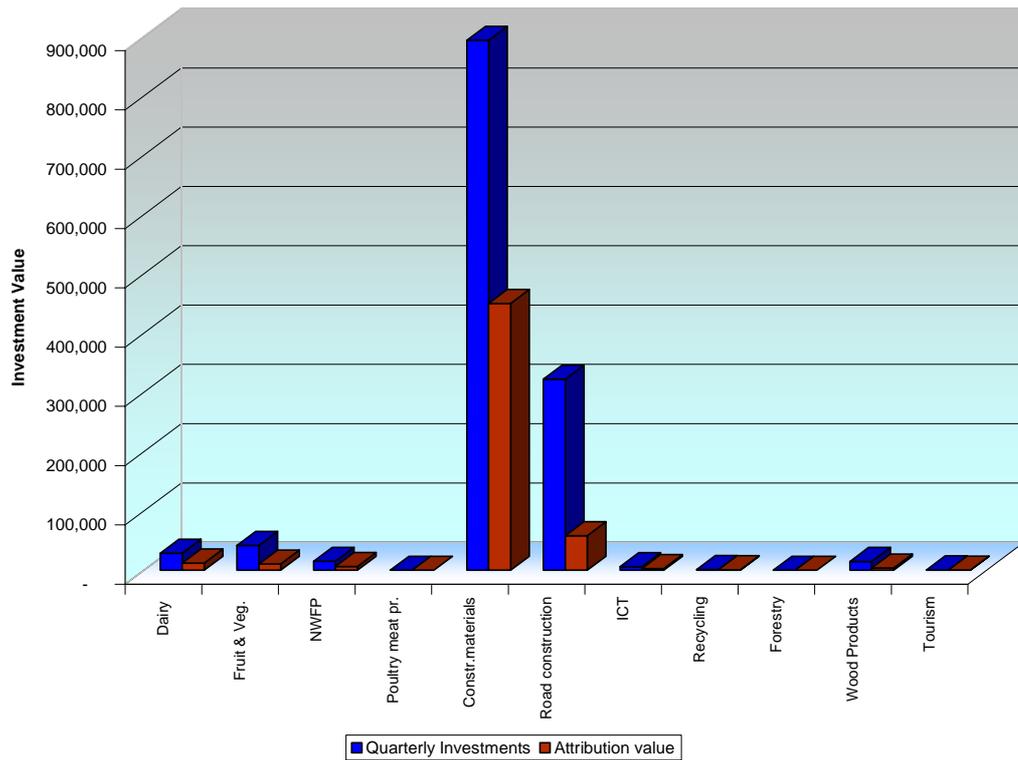
Total Quarterly Investment Non-KPEP Firms		€ 0
Total Non-KPEP Attributable Investment		€ 0
Attribution % for the quarter		0%

Total Investment		€ 1,324,301
Total KPEP Attributable Investment		€ 545,017
Total Quarter Attribution %		41%

3.2. By sub-sector

Sector	Sub-sector	Quarterly data	Attribution value	Percentage of attribution
Agriculture		85,708	28,752	34%
	Dairy	28,700	12,000	42%
	Fruits and vegetables	42,008	10,502	25%
	Non-wood forest products	15,000	6,250	42%
	Poultry meat processing	0	0	0
Construction		1,216,050	508,264	42%
	Construction Materials	893,833	450,000	50%
	Road Construction	322,217	58,264	18%
ICT		5,921	2,961	50%
	ICT	5,921	2,961	50%
Recycling		1,200	900	75%
	Recycling	1,200	900	75%
Tourism		570	428	75%
	Tourism	570	428	75%
Wood Processing		14,852	3,713	25%
	Wood Processing	14,852	3,713	25%
Grand Total		1,324,301	545,017	41%

Of the total value of investments of €1,324,301, KPEP's attribution is €545,017, or 41% of the total amount of the quarterly investments of the KPEP clients.



4. KPEP attribution on employment

4.1. Total KPEP

Total Quarterly FTE KPEP Firms		360.34
Total KPEP Attributable FTE		135.74
Attribution % for the quarter		38%

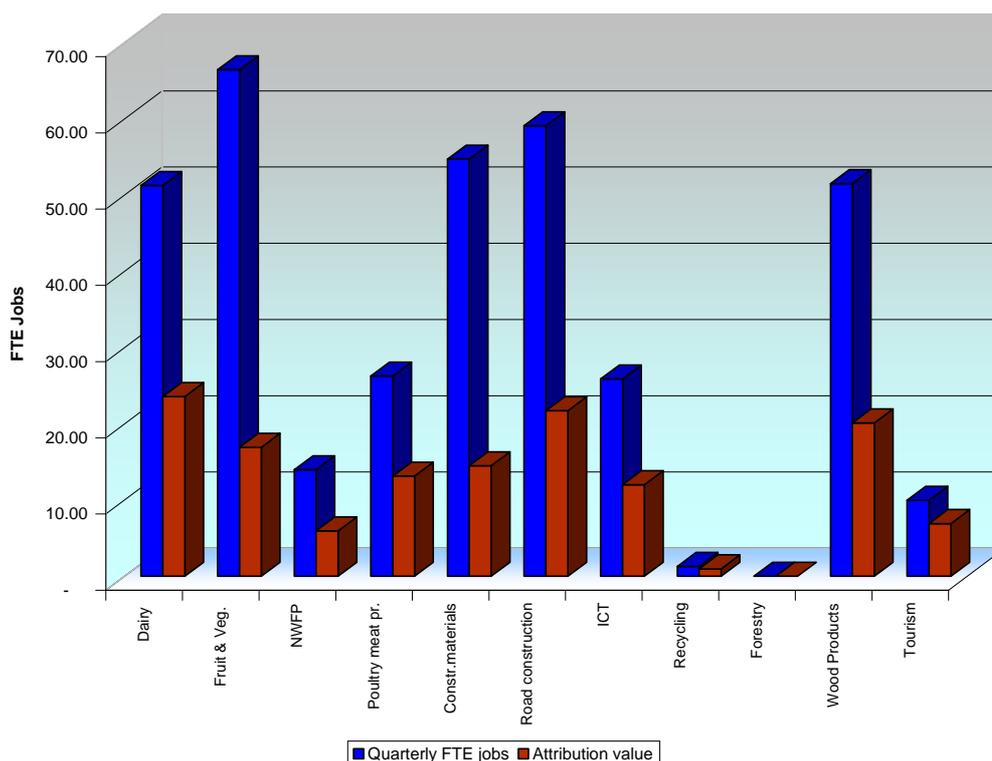
Total Quarterly FTE Non-KPEP Firms		€0.00
Total Non-KPEP Attributable FTE		€0.00
Attribution % for the quarter		0%

Total FTE		360.34
Total KPEP Attributable FTE		135.74
Total Quarter Attribution %		38%

4.2. By sub-sector

Sector	Sub-sector	Quarterly data	Attribution value	Percentage of attribution
Agriculture		157.90	59.55	38%
	Dairy	51.25	23.56	46%
	Fruits and vegetables	66.43	16.92	25%
	Non-wood forest products	13.97	5.94	43%
	Poultry meat processing	26.25	13.13	50%
Construction		113.80	36.21	32%
	Construction Materials	54.71	14.50	27%
	Road Construction	59.09	21.71	37%
ICT		25.88	12.01	46%
	ICT	25.88	12.01	46%
Recycling		1.29	0.97	75%
	Recycling	1.29	0.97	75%
Tourism		9.96	6.90	69%
	Tourism	9.96	6.90	69%
Wood Processing		51.50	20.11	39%
	Wood Processing	51.50	20.11	39%
Grand Total		360.34	135.74	38%

Of the total number of 360.34 FTE jobs created during this quarter, KPEP’s attribution is 135.74 FTE jobs, or 38% of the total amount of the quarterly FTE jobs of the KPEP clients.



11. Multipliers

Using multipliers to estimate total economic impact or the employment impact of direct sales and growth of a particular industry is a common economic tool. There are numerous methodologies and academic studies used to develop, calculate and detail multipliers for particular sectors in specific economies. However, the process for developing a multiplier for specific sectors in Kosovo would be potentially costly and the data may not be available or accurate. Instead, we collected multipliers on KPEP sectors from a wide range of sources and extrapolated multipliers we could use on an anecdotal basis. One important tool that is widely used to evaluate economic development impacts is the *economic impact analysis*. Economic impact analyses measure the potential impact of economic decisions by business, government, and consumers on an economy.

An economic impact analysis is based on the concept of the *multiplier*. The multiplier is the relationship between some change in an economy and the succeeding economic activity that occurs as a result of that change. Consider the location of a new automobile parts manufacturer. Initial projections of the impact of the firm would likely include estimates of the number of new jobs and the income earned by the new workers. This is called the *direct effect*, which is an initial change in the economy.

But there are other effects as well. It is likely that the new plant will require inputs of goods and services from other local businesses. These purchases generate new jobs and income in those allied industries. These spinoff activities are referred to as *indirect effects*. In addition, the new workers in the parts plant and the employees in the supporting industries spend a portion of their income locally to meet household needs, and this spending creates new jobs and income. The jobs and spending created as a result of these activities are called the *induced effect*.

The sum of the direct, indirect, and induced effects is the *total effect*. The process of job creation and income generation continues so long as some portion of spending remains local. The multiplier is an estimate of how much additional economic activity will result from some new investment in an economy. "Multiplier" is an appropriate term, because the original investment is "multiplied" by the multiplier to obtain the total economic impact.

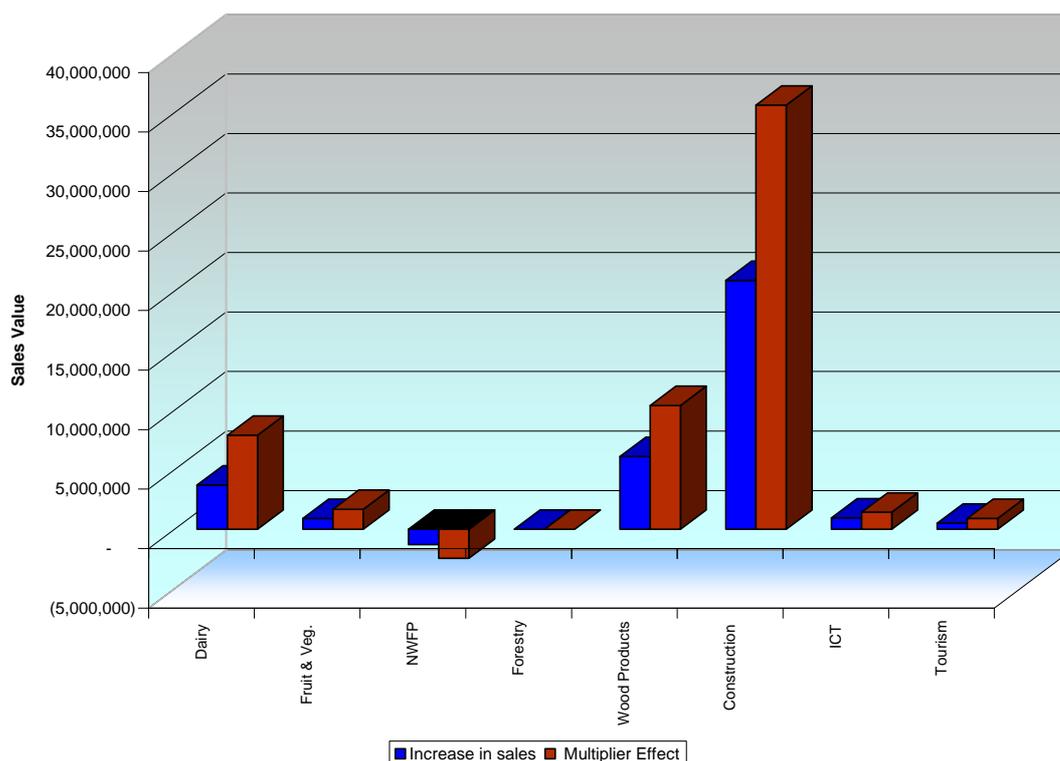
KPEP developed average multipliers for each KPEP sector. Minor sub-sectors, like metal processing and poultry meat processing are not included in the calculation.

Sector	Economic Impact	Employment
Dairy	2.13	1.84
Fruit and Vegetable	1.84	1.96
Non-Wood Forest Products	1.90	1.58
Forestry	1.84	1.89
Wood Products	1.70	1.66
Construction	1.70	1.84
ICT	1.54	1.57
Tourism	1.81	1.39

1. Economic Impact

Sector	Increase in sales	Economic Impact	Multiplier effect
Dairy	3,711,219	2.13	7,886,340
Fruit and Vegetable	906,138	1.84	1,667,294
Non-Wood Forest Products	(1,280,795)	1.90	(2,433,511)
Forestry	-	1.84	-
Wood Products	6,115,635	1.70	10,396,580
Construction	20,905,459	1.70	35,628,875
ICT	934,788	1.54	1,434,900
Tourism	501,397	1.81	907,529
TOTAL	31,793,841		55,488,007

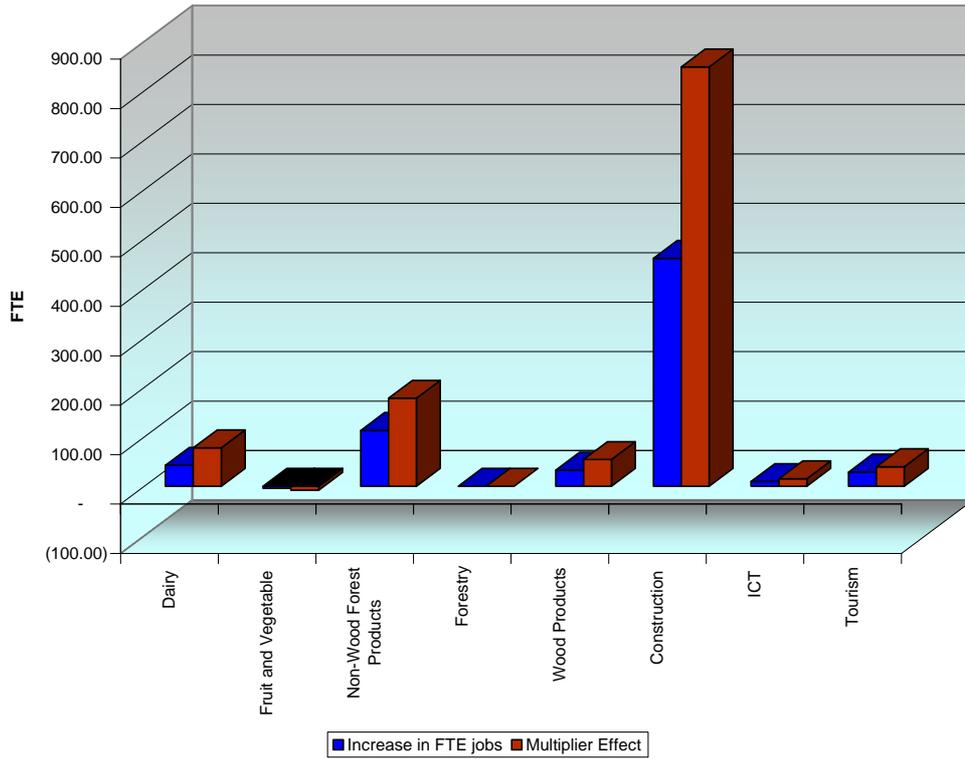
So, the multiplier effect for the total increase in sales for the LOP of €31,793,841 is €55,488,007. On average, for a one Euro increase in sales, another 1.75 Euros has been generated all the way through the value chain of KPEP targeted sectors.



2. Employment

Sector	Increase in FTE jobs	Employment	Multiplier effect
Dairy	42.18	1.84	77.61
Fruit and Vegetable	(4.24)	1.96	(8.31)
Non-Wood Forest Products	112.70	1.58	178.07
Forestry	-	1.89	-
Wood Products	32.49	1.66	53.93
Construction	460.99	1.84	848.22
ICT	9.57	1.57	15.02
Tourism	28.34	1.39	39.39
TOTAL	682.03		1,203.94

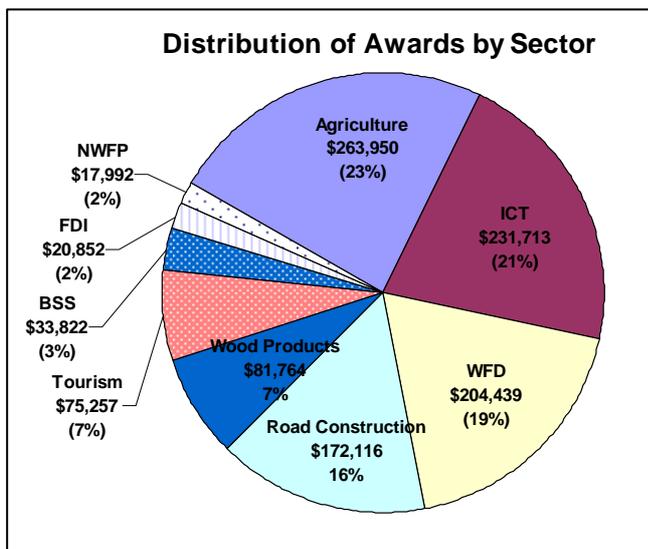
The multiplier effect for the total increase in employment for the LOP of 682 FTE jobs is 1,204 FTE jobs. On average, for one new FTE job, another 1.77 FTE jobs have been generated all the way through the value chain of KPEP targeted sectors.



E. STRATEGIC ACTIVITIES FUND

Outreach: During this quarter KPEP organized an outreach presentation for the informational sectors: Textile, Print/Media, and Aquaculture. 22 representatives of companies and organizations from these sectors participated in this presentation.

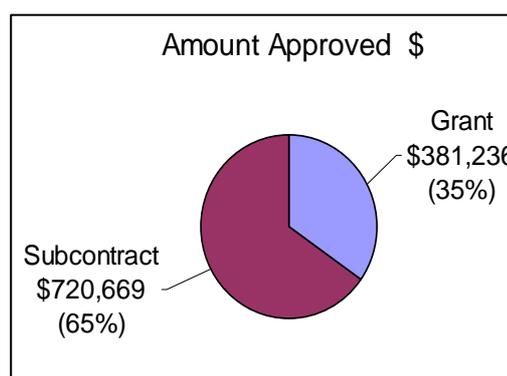
SAF Review Committee: The SAF review committee continued its weekly meeting; USAID now regularly attends. The committee has also been expanded to include three local staff. Interest in the SAF funds continues to be high. During this quarter, the committee reviewed 45 concept papers. 13 were approved in this phase of the evaluation.



Requests for Application: In response to Requests for Applications for Non Wood Forest Products Collection Centers through a cost-share arrangement, 11 applications out of 12 that were received were recommended for approval from the KPEP review committee. On March 10, 2010, KPEP sent the USAID Environmental Review Committee a request for approval of the Environmental Review Checklist.

Requests for Proposals: During this reporting period, KPEP issued 10 requests for proposals (RFPs). The advertisements were published in local newspapers and on the KPEP website. Four of the subcontracts issued during this period were sole sourced due to pre-eminent capability or because the project was a follow on to a previous activity.

The eight subcontracts signed this quarter had a total value of €179,803 (\$254,597). KPEP awarded six grants this quarter, for a total value of €57,860 (\$77,694). The total value of subcontracts and grants awarded in this quarter €237,663 (\$323,291).



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The cumulative value of KPEP subcontracts (34) and grant (21) awards through the end of this quarter - March 31, 2010 – equals €791,223 (\$1,101,905).

Type of Awards		
Type of Award	Approved Euros	% Distribution
Grants	€273,336.00	34.5%
Subcontract	€517,887.00	65.5%
Total	€791,223.00	100%

The Q2 grants and subcontracts were awarded to organizations from the following KPEP approved sectors/components: Agriculture, FDI, ICT, Road Construction, WFD, and Tourism.

The fixed price subcontracts were awarded to the following companies:

1. **Business Support Center Kosovo (BSCK)** - Green House as a Business
2. **Association of Wood Processors of Kosovo (AWPK)** -Wood Processing Internship Program
3. **Road Construction Association of Kosovo** - Construction Internship Program
4. **HeviCert, Inc.** - Heavy equipment operators training and certification program
5. **Initiative for Agricultural Development of Kosovo** - Raw Milk Quality Program Management
6. **Kosovo Association of Information and Communication Technology (STIKK)** - Organization of CRM training for ICT companies and Associations
7. **Koperativa** - Documentary Film On Quality of Road Construction and Traffic Safety in Kosovo
8. **Management & Development Associates (MDA)** - CRM Training - Local Consultant

Grants were awarded to the following organizations:

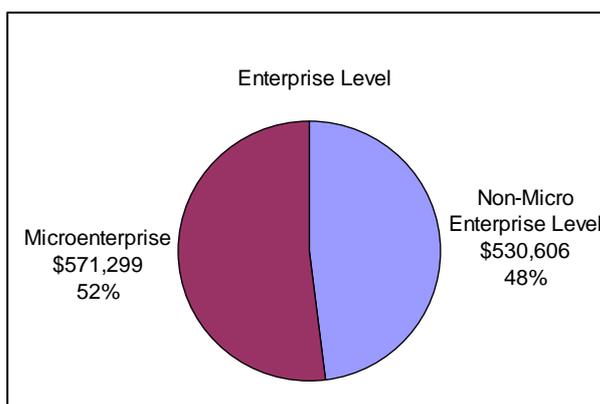
1. **Agroprodukt Commerce** - Creation of new market identity of APC products for retail and export market
2. **KOTAS** - Organizing Kosovo Travel Day Fair 2010 / "Stay the Weekend - Experience Kosovo"
3. **Kosovo Chamber of Commerce (KCC)** - Turkish Kosovar Business Forum in Istanbul
4. **Association for Finance and Accounting Services (AFAS)** - Training and Internship Program for 100 jobseekers during the summer season
5. **World University Service Austria (WUS)** - Kosovo Case Challenge 2010
6. **Eciks Consulting** - Startup Activity Prishtina

Over half of our awards throughout the duration of the project, 51.86%, are in support of activities which benefit microenterprises:

Distribution of Awards by Type of Enterprises		
Enterprise	% of total	Euros
Non-Microenterprise	48.14	€ 380,928
Microenterprise	51.86	€ 410,925
Total	100.00%	€791,223

Awards that will directly benefit microenterprises for this quarter are:

1. Business Support Center Kosovo (BSCK) - Will provide training to participants in the Entrepreneurship Program for Green House as a Business
2. KOTAS - Will organize "Kosovo Travel Day Fair 2010 / "Stay the Weekend - Experience Kosovo", from which most of the beneficiaries will be microenterprises.



3. Association for Finance and Accounting Services (AFAS) - Training and Internship Program for 100 jobseekers during the summer season.
4. World University Service Austria (WUS) - This organization will organize Kosovo Case Challenge 2010, where most participants are potential new microenterprises.
5. Eciks Consulting – This activity will help new entrepreneurs through “Startup Activity Prishtina” to come up with new and innovative business plans.

Environmental Compliance Report

An Initial Environmental Examination (IEE) for KPEP was completed and approved on 24 April 2008. The IEE, in accordance to Regulation 22 CFR 216 Threshold Determination, aims to ensure that the activities to be implemented under KPEP are environmentally sound.

The IEE requires certain actions on the part of Booz Allen as the implementing contractor. In particular, as specified in the IEE, all sub-agreements under the program must incorporate provisions that the activities to be undertaken will comply with the environmental determinations and recommendations of the IEE.

During this quarter, KPEP supported 14 activities through SAF (see table below). All 14 activities fall under the category of “Categorical Exclusion” – they are activities that have no effect on the natural or physical environment.

No	Organization	Type of ER Checklist		Project Name
		Categorical Exclusion	Negative Determination	
1	Business Support Center Kosovo (BSCK)	X		Green House as a Business
2	Association of Wood Processors of Kosovo (AWPK)	X		Wood Processing Internship Program
3	Road Construction Association of Kosovo	X		Construction Internship Program
4	Agroprodukt Commerce	X		Creation of new market identity of APC products for retail and export market
5	HeviCert, Inc.	X		Heavy equipment operators training and certification program
6	Initiative for Agricultural Development of Kosovo	X		Raw Milk Quality Program Management
7	KOTAS	X		Organizing Kosovo Travel Day Fair 2010 / "Stay the Weekend - Experience Kosovo"
8	Kosovo Chamber of Commerce (KCC)	X		Turkish Kosovar Business Forum in Istanbul
9	Association for Finance and Accounting Services (AFAS)	X		Training and Internship Program for 100 jobseekers during the summer season
10	World University Service Austria (WUS)	X		Kosovo Case Challenge 2010
11	Eciks Consulting	X		Startup Activity Prishtina
12	Kosovo Association of Information and Communication Technology (STIKK)	X		Organization of CRM training for ICT companies and Associations
13	Koperativa	X		Documentary Film On Quality of Road Construction and Traffic Safety in Kosovo

14	Management & Development Associates (MDA)	X		CRM Training - Local Consultant
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In November 2009, KPEP engaged an environmental consulting firm from Macedonia, B2 Consulting, to conduct Environmental Due Diligence (EDD) on two projects (Bylmeti and Magic Ice). KPEP received reports from B2 Consulting on January 29, 2010. Reports from this company were sent to USAID for review and approval on February 10, 2010. KPEP received approval for these two EDDs on April 1, 2010.

From 17 - 19 of March, 2010, KPEP engaged B2 Consulting to conduct Environmental Due Diligence on four more projects (Berati, Eurofruti, Jetoni Company and KABI). B2 Consulting sent reports for these projects on March 30, 2010. These reports were forwarded to USAID for approval on April 2, 2010.

KPEP is considering hiring a dedicated employee for Environmental Compliance and Monitoring since the work in relation to environmental procedures has proven to be very labor intensive and time consuming.

Name of Applicant	Description of activity	Grant application approved by KPEP	ER company started the process of doing EDD and PPA	EDD and PPA received from ER Company	Status
Magic Ice	Production of new cheese variety	August 17, 2010	Dec. 1, 2009	January 29, 2010	Sent to USAID for Approval
Bylmeti	Yogurt packaging	June 5, 2009	De. 2, 2009	January 29, 2010	Sent to USAID for Approval
Berati Assocaition	Collection center and processing of NWFP	October 9, 2010	March 17, 2010	March 29, 2010	Sent to USAID for Approval
Eurofruti	Collection center and processing of NWFP	January 11, 2010	March 18, 2010	March 29, 2010	Sent to USAID for Approval
Jetoni	Collection center for vegetables	November 29, 2009	March 18, 2010	March 30, 2010	Sent to USAID for Approval
KABI	Milk Collection Centers	November 12, 2010	March 19, 2010	March 30, 2010	Sent to USAID for Approval
Natuyral Fruti	Collection center for NWFP		Negative determination		Sent to USAID for Approval

F. COMMUNICATIONS

Media Monitoring: KPEP is monitoring the local press on a daily basis, focusing on articles related to KPEP's work, or of interest for sector specialists. The local press headlines are distributed to all staff. Furthermore, KPEP follows up on articles of interest (for example by phone calls to journalists, editors) and archives the articles by dividing newspaper clippings in separate folders: a general KPEP one (with newspaper clippings of articles mentioning KPEP or KPEP events directly), one on forestry and one on dairy issues. KPEP has also started collecting newspaper clippings of articles on road construction, workforce development and attraction of foreign investments. The articles are scanned and stored electronically. Media monitoring also covers Kosovo online news agencies, and whenever possible, TV news and TV programs covering issues of relevance for KPEP's work.

KPEP staff was added to UNMIK and OSCE press offices distribution lists to receive the local and international news clippings and summaries.

A 'Google Alert' system has been created, which feeds information on any mention of KPEP on the Internet.

Media Relations: This continues to be an important component of KPEP outreach. In order to get the media to cover KPEP events, and ensure positive coverage, serious efforts were made in the quarter to establish new contacts with journalists and editors covering mostly economic issues, and to maintain professional relations with existing contacts. Thanks to the forestry outreach meeting in January 2010, contacts were established with local TV stations and radio and newspaper correspondents in Pejë/Peć, Prizren, and Ferizaj/Uroševac, whose contact details were entered in the media contact list. Also, KPEP established contact with FAN TV from Gjilan/Gnjilane and the editor of the AG-Ekonomia program on Radio Kosova.

In this quarter, KPEP organized one press conference at the end of the series of outreach meetings regarding the FSC standard for Kosovo, which was well attended and reported.

In addition, KPEP issued one press release on the FSC outreach meetings Kosovo-wide and the concluding event in Pristina on January 28, which was officiated by the US Ambassador in Kosovo.

Press kits or event folders containing general information on KPEP and specific information on KPEP sectors, as well as press releases, presentations, and contact information were prepared and distributed at all events.

Media Coverage: Kosovo has eight daily newspapers that KPEP monitored in this quarter, all of which published stories on KPEP activities or which related to KPEP's work. Newspaper reporters have attended KPEP events that were open to the media, and have used

■ Telling KPEP's Story ■

KPEP and Local Media: This quarter KPEP appeared on several TV shows including RTK, Klan Kosova, TV Dukagjini, regional TV stations in Prizren and Ferizaj/Uroševac, on Radio Kosovo's economic show and in the press. The media appearances focused on FSC Kosovo standard outreach events and efforts, and the Fruit & Vegetable conference.

In the reporting period, KPEP was directly referenced 18 times in the Kosovo press on topics ranging from the forest certification standard in Kosovo to international certificates for welders, the Fruit & Vegetable Conference, and the Business Start-up Weekend.

information disseminated by KPEP through press releases. Newspapers reported more extensively on forestry and tourism related activities.

Fact Sheets: Two new Fact Sheets were created to reflect KPEP's activities in Year Two: one is a general Fact Sheet representing the goals of the program, and the other is a more detailed one representing the major goals and achievements of each sector and component.

Success Stories: Successful events and achievements were captured immediately, including pictures. Such success stories were posted on the KPEP website. To date, KPEP has built a rich archive of stories and a picture gallery. Also, KPEP continued to produce a monthly report highlighting major achievements and success stories.

Field Trips: The Communications Specialist has assisted the sector specialists in drafting scene setters and talking points for various KPEP events and field trips, and drafted summaries of these field trips. In addition, the Communications Specialist accompanied sector specialists in their visits to establish direct contacts with KPEP clients and gather first hand information on ongoing activities that receive KPEP support, to be used for a variety of KPEP publications.

KPEP Identity: Keeping in line with USAID branding rules and guidelines, special efforts have been put into continuing promotion of the KPEP identity. These efforts mainly consist of arranging for production of banners, roll ups, and posters for events (for example, for promotion of www.KosovoGuide.com, and the Travel Day Fair 2010, posters with the winning pictures from the competition with the theme "I am a friend of the forest"); fact sheets; training materials and information for KPEP clients (best practices in the non-wood forest product handbook, and membership directory and brochure for the road construction sector); folders; and pens. Special efforts were made to ensure that reports, power point presentations, invitations and other documents strictly follow USAID branding rules and guidelines on use of language. The reception area displays the latest posters.

KPEP assisted ICT, WfD, Construction and Agribusiness clients with promotional advice on the proper usage of logos and language.

Website: The KPEP website now more prominently features notifications on events organized with KPEP support, as well as information required by the FSC that serves the forest certification standard in Kosovo. The news section was updated with the most important achievements, and photos. The new KPEP webpage is already designed and populated, and will go live once some additional minor changes are introduced.

Promotion of KPEP's Work: In this quarter, KPEP contracted a local film production company "Koperativa" to film and produce a 20-minute documentary film on "Road Construction and Traffic Safety in Kosovo".

The KPEP Communications Specialist worked with local consulting company MDA to design and finalize the "Catalog of Tourism Offers".

Newsletter: KPEP started issuing a bi-monthly newsletter. The first issue came out in early March. Fourteen thousand copies of the Albanian version were distributed with the daily Koha Ditore.

Event Organization

In cooperation with the Forestry Specialist, a series of outreach meetings on the Kosovo forest certification standard were planned and organized in Pejë/Peć, Prizren, Gjilan/Gnjilane, Ferizaj/Uroševac and Pristina in January. The concluding event in Pristina was officiated by the US Ambassador in Kosovo, the USAID / Kosovo Mission Director, the Minister of Agriculture, Forestry and Rural Development, and other senior level stakeholders and the media.

In cooperation with the Workforce Development Specialist, the Communications Specialist planned and organized three successful events: the Business and Economics Certificate Ceremony on January 13, the Entrepreneurship Training Roundtable on February 5, and the Accounting and Finance Certificate Ceremony on April 1, which were attended by USAID senior representatives.

USAID-i i mbështet bujqësinë dhe pylltarinë



USAID
FROM THE AMERICAN PEOPLE

Prishtinë, 17 shkurt - Delegacioni i USAID-it, i kryesuar nga Gregory Olson, John MacKillop dhe Dav Cowles, është takuar me ministrin e Bujqësisë, Idr Vehapi "Përfaqësuesit e këtij delegacioni e kanë njoftuar ministrin Vehapi për të arriturat që janë bërë i fushën e analizave gjithëpërfshirëse për bonitetin tokës, që janë përfshirë me një strategji të veçantë gjitha karakteristikat që i ka toka e Kosovës. Qëllimi këtyre analizave gjithëpërfshirëse është që të zgjerohet gama e prodhimit bujqësor me më shumë kultiva bujqësore, që do të kultivoheshin në rajone të ndryshme anekënd Kosovës", thuhet në komunikatën për media dërguar nga kjo ministri.

Po ashtu, në takim është folur edhe për sukseset që janë shënuar në sektorin e prodhimit të qumështit. Në takim është folur edhe për pylltarinë, përkatësisht për avancimet e reja që janë duke u bërë deri në arritje të fazës finale për certifikimin e pyjeve, me ç'rast ritheksua edhe njëherë se pa certifikim nga FSC Kosova vazhdimisht mund të përballlet me rrezikun që të mbetet jashtë tregjeve fitimprurëse të Evropës Perëndimore.

Promovohet projekti: "Programi për ndërmarrje publike në Kosovë"

USAID-i ndihmon mbrojtjen e pyjeve të Deçanit

Në Komunën e Deçanit, sipas të dhënave zyrtare, janë dëmtuar 30 % të pyjeve, kurse projekti i nisur është i mirëseardhur dhe është vlerësuar lart nga autoritetet komunale, të mërkurën

DEÇAN, 10 MAJIS - Me synimin për mbrojtje dhe menaxhim pyjesh të vendit, kryetari i Komunës së Deçanit, Rasim Selmanaj, dhe John MacKillop, udhëheqës i projektit "Programi për ndërmarrje publike në Kosovë", kanë promovuar projektin e tyre, financuar nga USAID-i. Për zbatimin e këtij projekti, me të cilin synohet mbrojtja dhe menaxhimi i pyjeve të kësaj komunë, do të angazhohen edhe ekspertë ndërkombëtarë, si edhe ata vendës. Në Komunën e Deçanit, sipas të dhënave zyrtare, janë dëmtuar 30 % të pyjeve nga prerjet pa leje, kurse ky projekt është i mirëseardhur dhe është vlerësuar lart nga autoritetet komunale. "Ky projekt është i mirëseardhur, pasi shpresohet që të vihet një rend i duhur ligjor dhe menaxhues i pyjeve. Sepse deri tashmi shkalla e degradimit dhe e prerjeve pa leje ka qenë tejet e

dëmshme", ka thënë Rasim Selmanaj, kryetar. Ai ka shprehur gatishmëri për një bashkëpunim edhe në projektet e tjera me USAID-in. "Ne jemi të gatshëm të bashkëpunojmë me USAID-in", është shprehur ai, duke kërkuar që në Deçan të formohet Bordi Mbikëqytës i Pavarur, i cili profesionalisht do të ndihmonte mbrojtjen, kultivimin dhe menaxhimin e pyjeve", ka pohuar Selmanaj. Nga ana tjetër pjesëmarrësit e këtij takimi janë pajtuar që në Deçan të themelohet një bord i tillë dhe të mbahet një takim me donatorë e njerëzsh që kanë kërkuar që kompetencat të zbrisin në komuna. Ndërkohë është kërkuar që sa më parë të miratohet ndryshimi i Ligjit të pyjeve, që të krijohen mundësitë për themelimin e ndërmarrjeve publike komunale për menaxhimin dhe mbrojtjen e pyjeve në këtë komunë.

Zana Meta



Fillon certifikimi i pyjeve të Kosovës sipas standardeve ndërkombëtare

Malet e Kosovës njihen ndërkombëtarisht

EPOKA
E RE

AFET BELA

Prishtinë, 28 janar - Megjithëse Kosova ka mbi 40 për qind të territorit të saj sipërfaqe me pyje, ajo ende nuk po i shfrytëzon malet për të gjeneruar zhvillim dhe vende të reja pune. Për këtë USAID-i amerikan të enjten ka filluar diskutimin për t'i certifikuar pyjet e Kosovës sipas standardeve ndërkombëtare, që pritet të bëhen në fund të vitit 2011.

Ambasadori amerikan në Kosovë, Christopher Dell, ka thënë se Kosova ka mbi 40 për qind të sipërfaqe me pyje. Këto duhet të shfrytëzohen, në mënyrë që vendi të ketë më shumë përfitime.

"Këto resurse natyrore duhet të zhvillohen dhe të krijojnë zhvillim ekonomik dhe gjenerim të vendeve të reja të punës. Ne do t'i përkrahim institucionet e Kosovës", ka premtuar ambasadori Dell. Sipas tij, zhvillimi ekonomik është prioritet për institucionet e Kosovës dhe se rruajtja e pyjeve do të ndikojë në rritjen e zhvillimit ekonomik dhe në shtimin e të punësuarve. Ndërsa ministri i Bujqësisë, Pylltarisë dhe Zhvillimit Rural (MBPZHR), Idriz Vehapi, është shprehur se Qeveria e Kosovës do t'i mbështesë angazhimet për



Ambasadori amerikan në Kosovë, Christopher Dell, ka thënë se Kosova ka mbi 40 për qind të sipërfaqe me pyje. Këto duhet të shfrytëzohen, në mënyrë që vendi të ketë më shumë përfitime

certifikimin e pyjeve.

Ministri Vehapi ka përmendur projektin madhor për mbjelljen e dy milionë fidanëve në kuadër të projektit të pyllëzimeve me moton "një banor një fidan", që është zhvilluar nën patronatin e kryeministrit Thaçi, i cili projekt është tradicional. Kurse drejtori i Programit për Ndërmarrje Private në Kosovë, (KPEP), David Cowles, certifikimin e pyjeve në Kosovë e ka vlerësuar si mundësi që burimet e pyjeve të Kosovës të depërtojnë në tregjet ndërkombëtare dhe që vendi të përfitojë sa më shumë të ardhura.

Certifikimi i pyjeve në shumë vende të botës bëhet nga Këshilli për Mbikëqyrjen e Pyjeve (FSC), i cili e ka selinë në Bon në Gjermanisë. Kosova për të marrë certifikim për pyje po mbështetet nga Programi i Ndërmarrjeve Private në Kosovë i USAID-it amerikan. Kosova vazhdimisht është përballur me rrezikun që të mbetet jashtë tregjeve fitimprurëse të Evropës perëndimore. Malet e Kosovës pritet të marrin certifikatë ndërkombëtare në tetor të vitit 2011, nëse të gjitha procedurat shkojnë sipas parashikimeve që janë paraparë.

SHKURT

➔ Salduesit do të pajisen me certifikatë të njohur ndërkombëtarisht

Pjesëmarrësit që trajnohen për saldimit në Qendrën e Trajnimit të KEK-ut do t'u lëshohet certifikata e njohur ndërkombëtarisht. Hapi i parë është hedhur të mërkurën, me 31.03.2010 pasi është bërë nënshkrimi i marrëveshjes së bashkëpunimit me KEK-ut dhe Programit për Ndërmarrje Private në Kosovë (KPEP) i mbështetur nga USAID-i. Kontrata është nënshkruar nga z. Arben Gjokaj, Drejtor Menaxhues i KEK-ut dhe nga z. David Cowles, Drejtor i KPEP. "Qëllimi i marrëveshjes së sotme është zotimi i përbashkët me qëllim të Akreditimit ndërkombëtar të Qendrës së Trajnimit në KEK sh.a në lëmin e teknologjisë së saldimit", tha z. Gjokaj. "KEK-u është i interesuar që të krijojë një Qendër të njohur ndërkombëtarisht në lëmin e saldimit me qëllim të trajnimit dhe certifikimit të salduesve. Akreditimi i Qendrës së trajnimit është me rëndësi të veçantë për KEK-un për ngritjen e kapaciteteve njerëzore si brenda ashtu edhe jashtë kompanisë", tha z. Gjokaj. Projekti i KPEP ka shprehur gatishmërinë që ta mbështes Akreditimin ndërkombëtar të Qendrës së trajnimit në KEK, me qëllim të rritjes së aftësisë konkurruese të punësimit dhe fuqisë punëtore për të përmirësuar cilësinë e strukturës punuese në Kosovë. ■

Takim i partnerëve të interesit në sektorin e frute-perimeve

PRERRE, 31 MARS - Në përpjekje për të rritur aftësinë konkurruese të sektorit privat të perimeve në Kosovë, Programi për Ndërmarrje Private të Kosovës i USAID-it organizoi një konferencë të mërkurën. Objektivi i Konferencës së para-sezonit të perimeve ishte të trajtonte çësht-

je me rëndësi për këtë sektor. Fokusi kryesorë u përqendruan në atë se si bizneset mund të përgatiten për konkurrencë në tregun mirë lokale dhe rajonale duke kuptuar kërkesat e tregut përcilësi të produktit dhe të përpunimit pas vjeljes. Paneli diskutuesve nga radhët e mbledhësve të specave përfshirë përfaqësues të kompanive të shpërndarjes së produkteve ushqimore pakicë dhe përpunuesve të specave nga Kosova dhe Shqipëria.

"Viti 2009 ishte vit shumë i mirë për prodhuesit e specave të reja çmime për tregun e freskët dhe në 35 centë për kilogram dhe specat për përpunim deri në 20 centë për kilogram. Edhe pse viti 2010 nuk jep asnjë garanci për çmime, prodhuesit mund të ofrojnë tregut produkte më cilësoresha John MacKillop, drejtor i Konkurrueshmërisë Bujqësore pranë Programit për Ndërmarrje Private të Kosovës.

Një tjetër objektivi i Konferencës për fruta dhe perime ishte promovimi i krijimit të rrjetit afariste mes pjesëmarrësve në këtë konferencë. Në konferencë morën pjesë mbi 100 partnerë të interesit, që përfaqësonin prodhues dhe përpunues lokale dhe rajonale, agjencitë qeveritare shpërndarëse me pakicë dhe shumicë dhe palë të tjera të interesuar.

KOSOVA SOT 7

Memorandum për investimet

De është mbajtur Kuvendi VI vjetor i Odës Ekonomike Amerikane në Kosovë (Oda Amerikane). Përveç anëtarëve aktivë të Odës Amerikane, në këtë kuvend ishin të pranishëm edhe zyrtarë të Ambasadës Amerikane në Kosovë, përfaqësues nga Zyra për Ndërlidhje Civile të kampit Bondsteel, drejtori i Agjencisë për Promovimin e Investimeve, Mustafë Hasanaj, përfaqësuesja e UNDP-së në Kosovë, Lindita Daija, si dhe përfaqësues të institucioneve vendore dhe ndërkombëtare.

Në këtë kuvend u prezantuan aktivitetet që shënuan suksesin e ODAK-së në vitin që lamë pas, u prezantua plani i aktiviteteve për vitin 2010, dhe i njëjti u aprovua nga anëtarët e pranishëm.

Ndër pikat më të rëndësishme në këtë kuvend ishin zgjedhjet për anëtarët e rinj të Bordit të Guvernatorëve të Odës Amerikane. Si rezultat i këtyre zgjedhjeve, president i Bordit të Guvernatorëve të Odës Amerikane është zgjedhur Kristofer Hall, president i Universitetit Amerikan në Kosovë. Bordi i ri i Odës Amerikane përbëhet nga anëtarët në vijim: Kristofer Hall - Universiteti Amerikan në Kosovë - president; Eroll Belegu - 'Marigona Residence' - zëvendëspresident, Ardiana Bunjaku - Shoqata e Kontabilistëve të Certifikuar dhe Auditorëve të Kosovës - arkëtare, Dastid Pallaska - 'Pallaska and Associates' - sekretar i përgjithshëm, Dennis Purdin - 'Atlas Electric', aqid Coules-Booz Alen Hamilton-KPEP, USAID, Valon Lluka - Banka Ekonomike, Luan Dalipi - MDA, Gëzim Pula - 3CIS, Eriola Bibollaj - 'ProCredit Bank', Afrim

Kuvendi VI i OEA-së ka zgjedhur rektorin e Universitetit Amerikan në Kosovë për kryetar të Bordit të guvernatorëve të Odës Ekonomike Amerikane. Ky asociacion dje ka nënshkruar memorandum mirëkuptim me Agjencinë për Promovimin e Investimeve në Kosovë

Maloku - 'Deloitte'

Gjithashtu, në këtë kuvend u nënshkrua edhe një Memorandum Mirëkuptimi me Agjencinë për Promovimin e Investimeve në Kosovë, me qëllim të rritjes së bashkëpunimit në mes të Odës Amerikane dhe këtij institucioni.

Ndër tjera u nënshkrua edhe një Memorandum Mirëkuptimi me UNDP-në në Kosovë, përmes së cilit, Oda Amerikane dhe UNDP-ja në Kosovë do të bëjnë shpërbëlimin vjetor të biznesit me përgjegjësi korporative për investime në komunitet/shoqëri. I.G.

G. PROGRAMMATIC AND ADMINISTRATIVE SUPPORT

The PMU is an integral part of the team's communications, leadership, and technical delivery efforts, working collaboratively with the field, Booz Allen headquarters, and USAID. At Booz Allen, the PMU provides not only backstopping programmatic support, but also ensures the firm's lessons learned, experience and corporate values are properly integrated and disseminated throughout the project team. The PMU serves as a liaison, advisor, and as technical subject matter and research expert to ensure successful project implementation and client satisfaction.

The PMU was responsible for developing and finalizing all major client deliverables, including the Year Two Work Plan, Annual Report, and Quarterly Reports. The PMU conducted analytical research in support of field technical needs and provided substantive input to various research and business practices projects. For example, the PMU has developed contextual indicators that are used for evaluating the performance of the project.

To ensure the most efficient use of funds, PMU has developed a comprehensive financial management tool that will allow the Chief of Party (COP) to implement KPEP most effectively. PMU has prepared and submitted accruals report to USAID on a quarterly basis. The Unit has reviewed and reconciled Operations Expense Reports working closely with field staff to adjust/correct, where necessary.

For the quarter of January through March 2010, the PMU has mobilized 13 short term technical specialists, including an agriculture specialist, a dairy technology specialist, a wood processing specialist, a forestry specialist, a heavy roads machinery specialist, a tourism specialist, an IT specialist, an association expert, a legal and regulatory specialist, a trade intelligence specialist, a capacity building specialist, a customer relations management specialist, and a specialist on go-to-market strategies. The mobilization processes included arrangement of contract agreements, processing of the staffing approval authorizations, processing of the mobilization paperwork, and support in invoicing. In addition, we processed and received approval documentation for a Project Coordinator, two researchers, and four CCNs. These included a tourism assistant, and specialists in the areas of forestry, ICT, and construction.

Further, the PMU added a new subcontractor to the project. HeviCert, Inc. was added as a subcontractor to provide heavy construction equipment operator training and certification to 40 individuals from third party construction firms in Kosovo. The training includes the provision of simulator software, related hardware, and other items to remain in Kosovo upon the completion of the training program.

The PMU served as a liaison between the project field team and our project subcontractors, and initiated and completed the various modifications necessary to field both independent consultants and subcontractor staff. This has included the preparation of statements of work (SOWs) and budgets for those team members.

PMU has processed and completed all the corresponding deployment and mobilization documentation including conducting appropriate due diligence for all candidates and providing support in all aspects of the mobilization from arranging contract terms through the final invoicing.

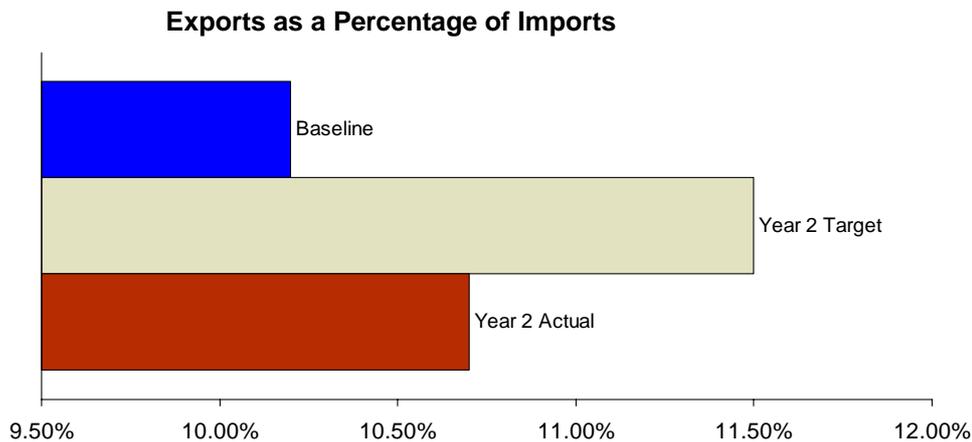
Annex 1. Report on Indicators

IR.1.3 (1) Accelerated Growth of Private Sector

Indicator: Exports as a Percentage of Imports – Kosovo Wide

Definition of the indicator: The total value of exports divided by the total value of imports, by sector.

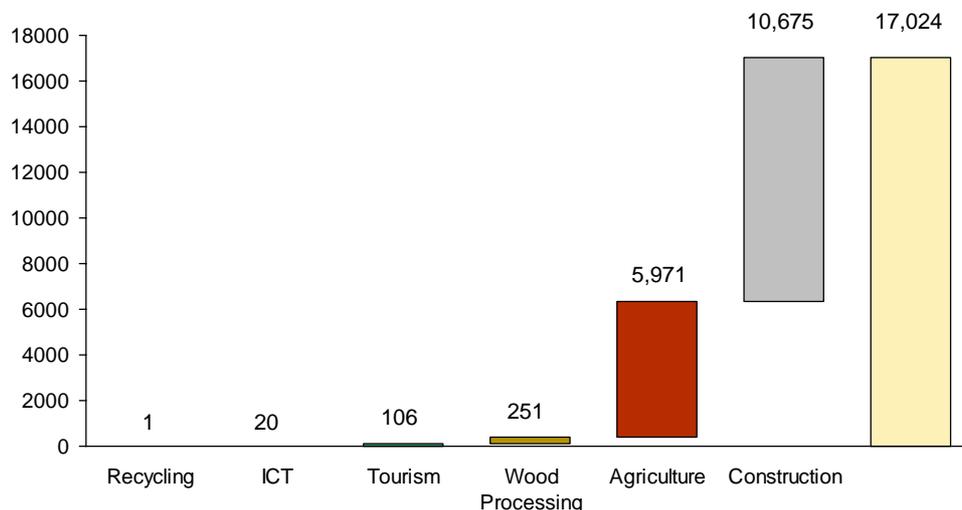
Data Source: Data is received from the Statistical Office of Kosovo (SOK).



Quarterly Results: The total value of exports divided by the total value of imports. This report contains the data from October 2009 until January 2010, which is the last month that data is available from SOK. Value of exports for this period was €69.5 million, while imports were at the amount of €647.5 million, which represents 10.7 percent exports/imports coverage. The data for January 2010 shows an impressive increase of exports/imports coverage ratio to 15.2 percent, which is the second highest ratio since 2001 when the SOK began collecting data. Only in May 2008 was this ratio higher-15.5 percent.

The data collected from KPEP client enterprises indicate that exports to date were €17.9 million, while the imports were €25.5 million. So, the exports/imports coverage is 70.1 percent, significantly higher than the Kosovo wide indicator. Comparing to the baseline data, exports increased by €17.0 million. The graph below shows the increase in exports by KPEP targeted sectors.

Increase in Exports
by Sector in Thousand Euros

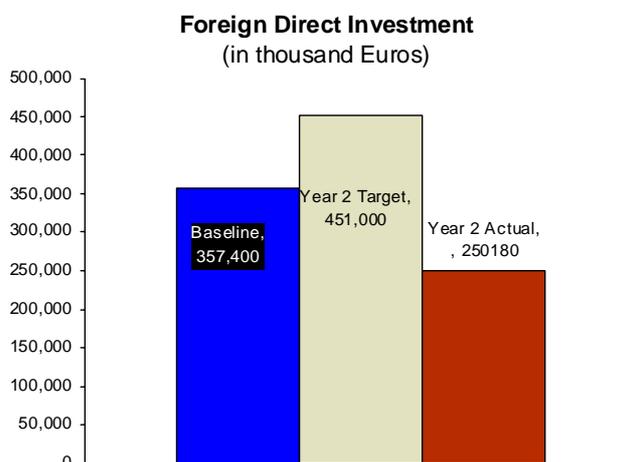


IR.1.3 (2) Accelerated Growth of Private Sector

Indicator: Foreign Direct Investment – Kosovo Wide

Definition of the indicator: Value of foreign private investment. Enterprise investment is defined as spending related to operational capital, technology, land, and infrastructure.

Data Source: Baseline data was received from Central Bank of the Republic of Kosovo.



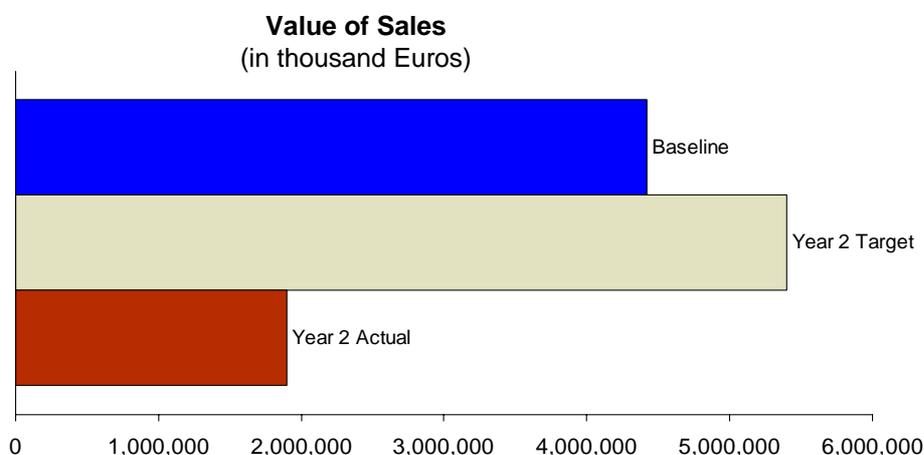
Quarterly Results: This indicator is reported annually. There is no data available on FDI for 2009. However, according to the Central Bank, the FDI is projected to have decreased by 30 to 35% during 2009. The estimated actual data on FDI for 2009 is valued at €250,180 based on 2008 baseline data of €357,400, and reduced for 30%.

IR.1.3 (3) Accelerated Growth of Private Sector

Indicator: Value of sales, by sector – Kosovo Wide

Definition of the indicator: Value of goods and services sold during the year measured as gross business sales.

Data Source: The data for this indicator has been collected from the Tax Administration of Kosovo.



Quarterly Results. The baseline includes the data for the period January-December 2008. Although this indicator is reported annually, KPEP has collected the data for the period

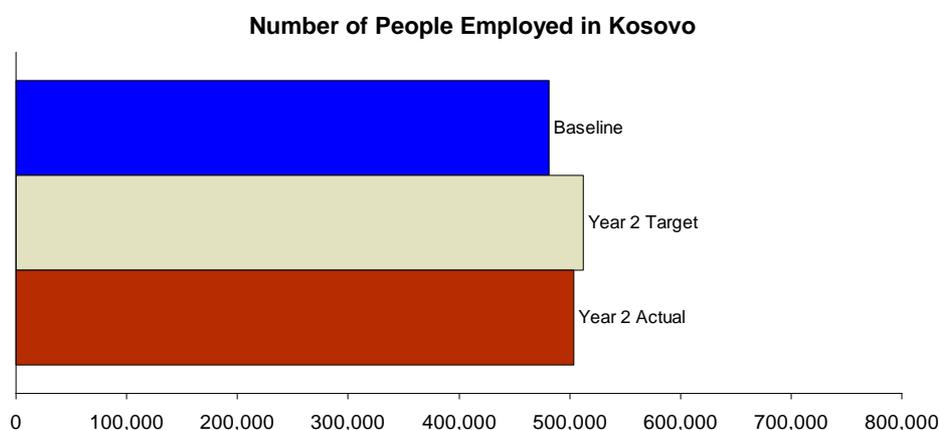
October 2009-March 2010, from the beginning of the US 2010 fiscal year. The cumulative data for this period is at €1.9 million. During this quarter, the sales reported to the Tax Administration were at €1 million. Targets for this indicator are set by Tax Administration of Kosovo.

IR.1.3 (4) Accelerated Growth of Private Sector

Indicator: Number of people employed, by sector – Kosovo Wide

Definition of the indicator: Number of people employed, disaggregated by sector.

Data Source: The baseline data for this indicator was collected from the Macroeconomic Department of MFE. The actual quarterly data is collected from the Department for Labor and Employment (DLE) of the Ministry of Labor and Social Welfare (MLSW).



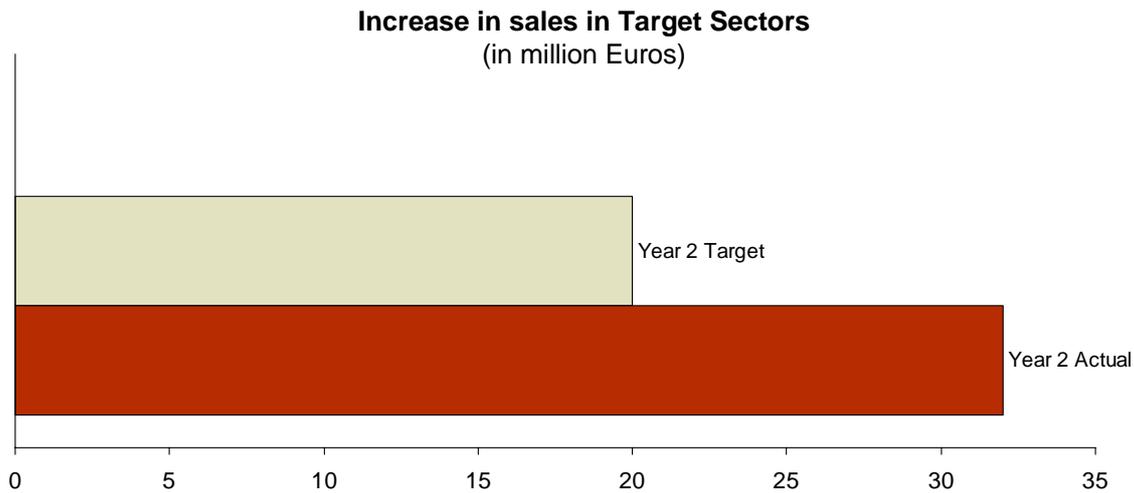
Quarterly Results. The baseline data shows that there are 481,000 people employed in Kosovo, although this is the best estimate, since there is no data on how many individuals are employed in the private sector but not legally registered as employees. The data received from DLE of MLSW regarding employment is as of February 2010 (report “Information on Labor Market in Kosovo”, February 2010). Two main categories of this report are entries and exits. According to the DLE explanation in the report, by ‘entries’ they mean ‘new people that register as unemployed’, while by ‘exits’ they mean ‘people that left unemployment bureau and eventually got employed’. The number of exits (people employed) for this quarter is 3,200, while the number of new entrants was 3,896. So, using this methodology we can conclude that there are currently 503,704 people employed. We don’t have the confidence that this methodology is reflecting reasonably the actual number of people employed in Kosovo.

IR.1.3.1 (1) Increased Competitiveness of Key Sectors

Indicator: Increase in Sales in Target Sectors

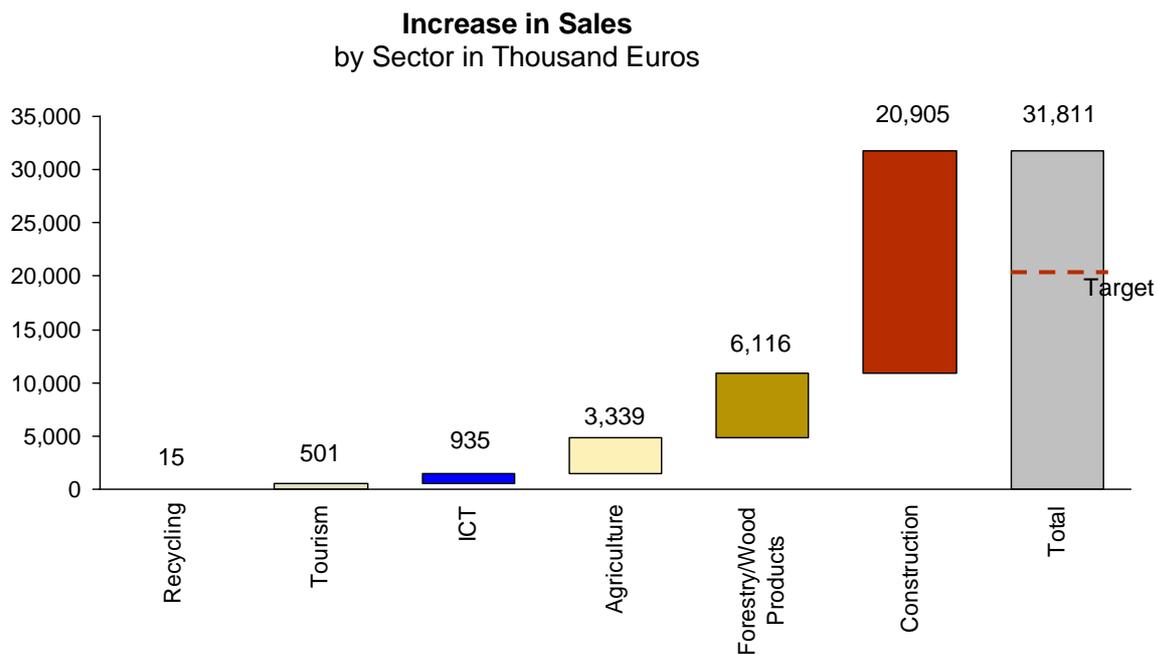
Definition of the indicator: Value of goods and services sold during the year is measured as gross business sales. It is an aggregate of all business sales related to the sector over a given period. This is measured for enterprises that receive KPEP support directly, through SAF or from specific transactions supported by KPEP.

Data Source: Data received from sector specialists.



Quarterly Results. The annualized baseline value of sales is €84,694,403 which represents the sales data for 57 companies. The cumulative target for Year 2 is an increase of sales of €20,000,000. Cumulative increase to date is €31,810,993, which means that KPEP already exceeded the Year 2 target.

The main contributor to this increase is the construction sector, as it is shown in the graph below.

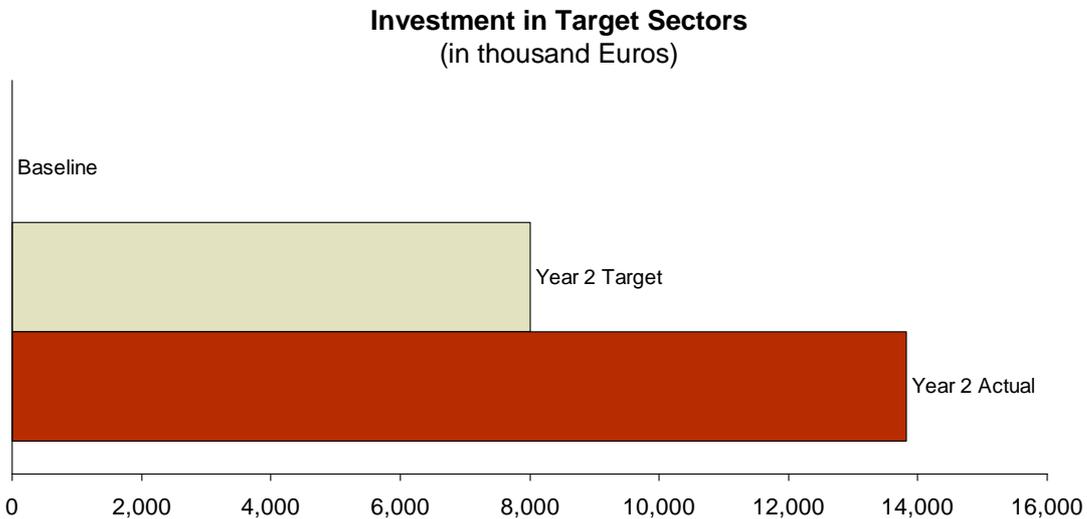


IR.1.3.1 (2) Increased Competitiveness of Key Sectors

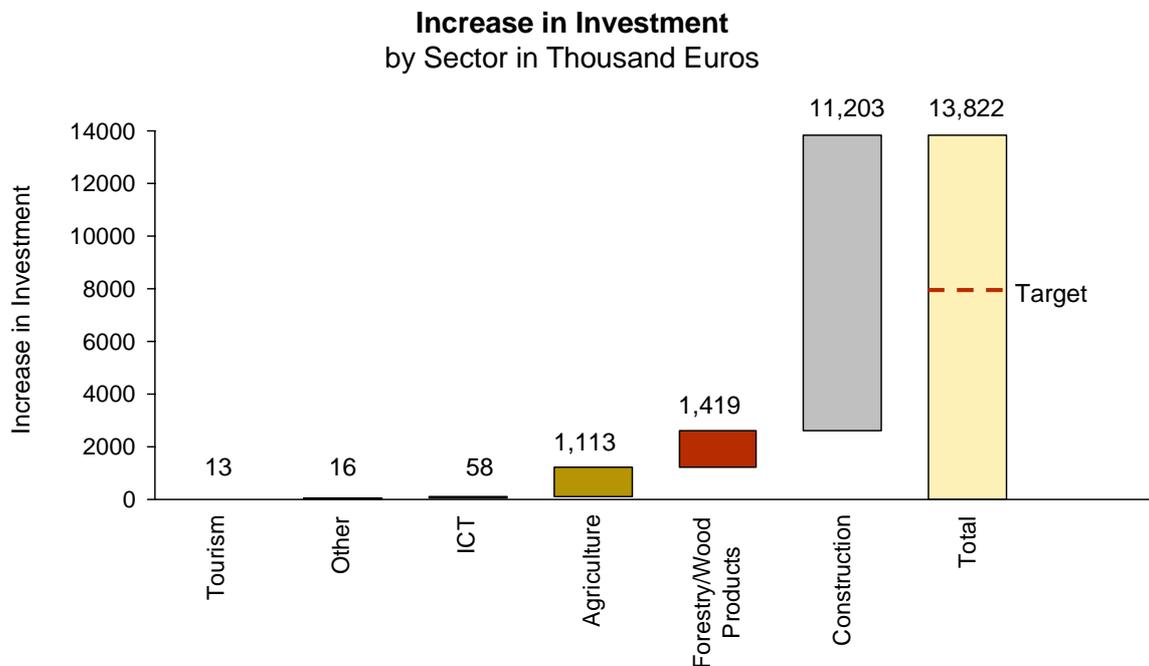
Indicator: Increase in investments in target sectors

Definition of the indicator: Value of capital investments disaggregated by target enterprise, microenterprise and by sector.

Data Source: Data received from sector specialists.



Quarterly Results. The cumulative value of investments to date is €13,822,428. Since the baseline figure was set at zero, the total value of investments in fact represents the total increase in investments. The cumulative target for Year 2 is an increase in investments of €8,000,000, and therefore the target has already been exceeded. The main contributor to this increase was the construction sector.



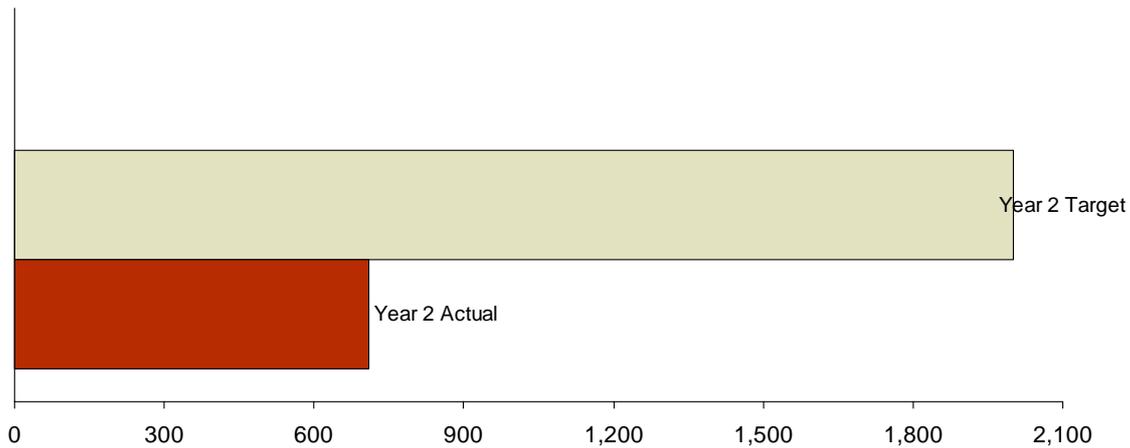
IR.1.3.1 (3) Increased Competitiveness of Key Sectors

Indicator: Increase in jobs created in target sectors

Definition of the indicator: Number of jobs created, disaggregated by target enterprise microenterprises, and by sector, in terms of full-time equivalent jobs in target enterprises. Person days of employment (part-time employment) are converted to annual full-time equivalent -FTE jobs using 225 days of labor per year.

Data Source: Data received from sector specialists.

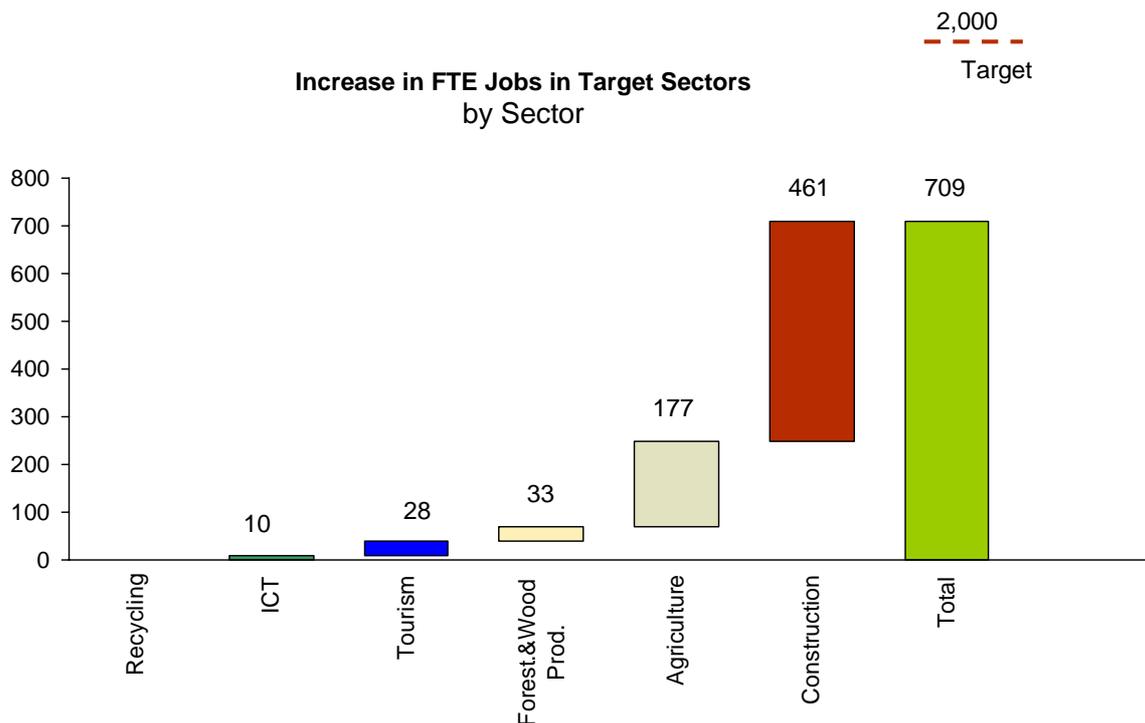
Increase in FTE Jobs in Target Sectors



Quarterly Results. The cumulative target for Year 2 is an increase of FTE jobs by 2,000. The cumulative increase of FTE jobs at KPEP client enterprises to date is 709 FTE jobs, which is still below the Year 2 target. While KPEP is below its job creation target, the project has been able to achieve a 32 percent increase in full time jobs comparing to the baseline.

During this quarter alone, the increase in FTE jobs was 278. Below is provided the structure of increase in FTE jobs by sector. The main contributor to this increase is the construction sector.

Increase in FTE Jobs in Target Sectors by Sector



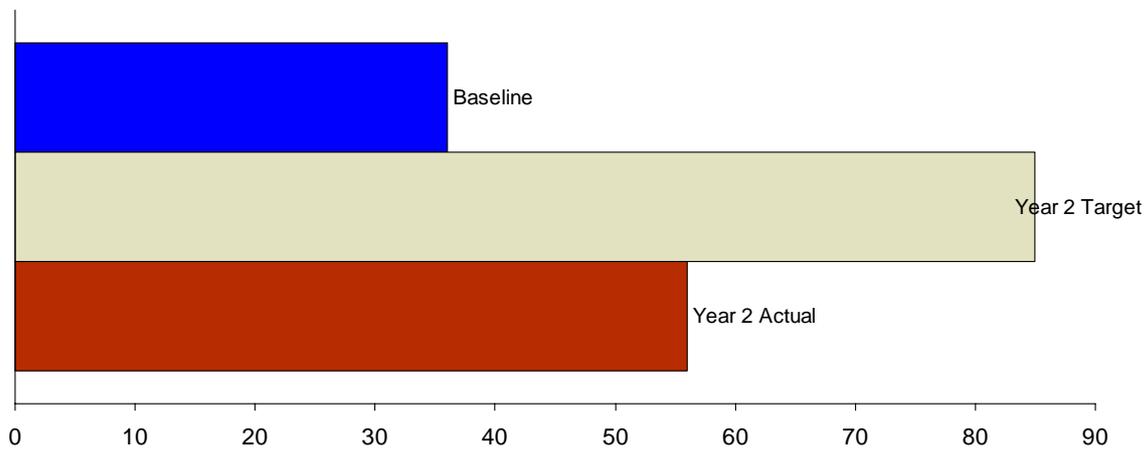
IR.1.3.1 (4) Increased Competitiveness of Key Sectors

Indicator: Number of enterprises assisted in target sectors

Definition of the indicator: Number of enterprises assisted directly by the project, disaggregated by microenterprise.

Data Source: Data is received from sector specialists.

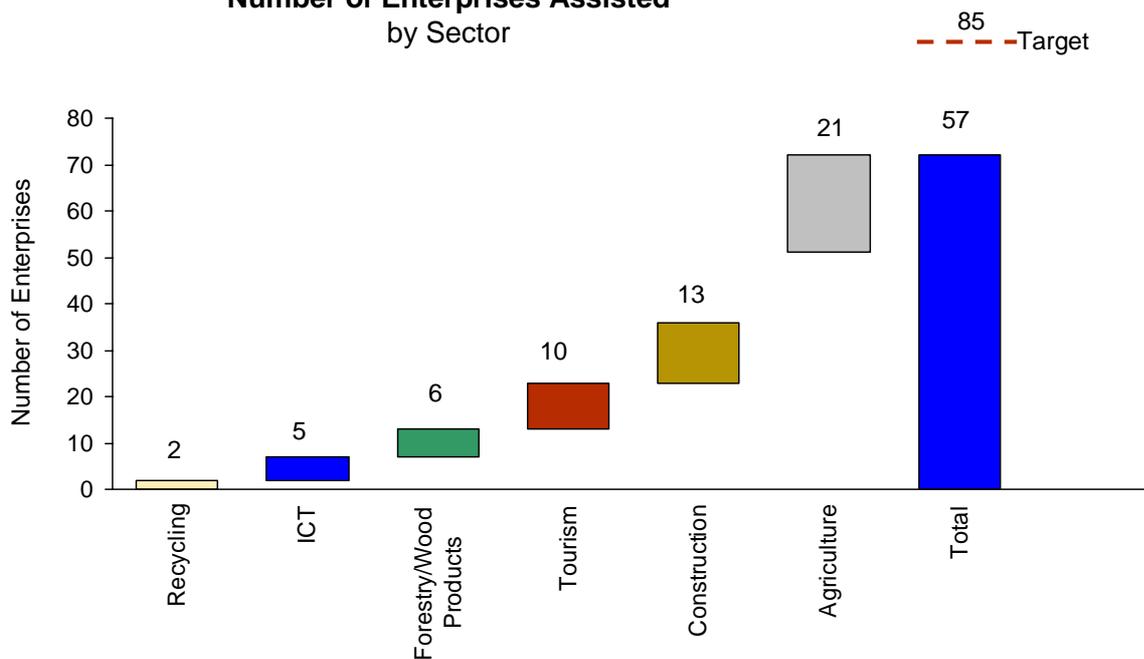
Number of Enterprises Assisted in Target Sectors



Quarterly Results. To date, there are 57 direct KPEP enterprises. These companies have signed agreements of cooperation with KPEP and receive continuous support from KPEP. In return, these companies provide KPEP with their quarterly data on their key performance indicators. The cumulative target number for Year 2 is set to 85 enterprises. During this quarter, two new companies were added to the PBMS system.

Below is provided the structure of KPEP client enterprises by sector.

Number of Enterprises Assisted by Sector

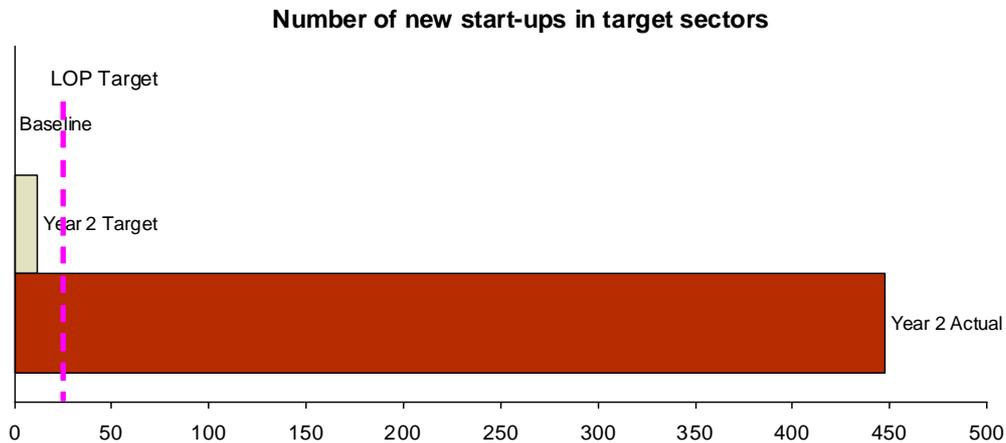


IR.1.3.1 (5) Increased Competitiveness of Key Sectors

Indicator: Number of new start-ups in target sectors, Kosovo wide

Definition of the indicator: Number of new start ups, disaggregated by microenterprise and sector.

Data Source: Data is received from the Agency for Business Registry (ABRK) of the Ministry for Trade and Industry (MTI).



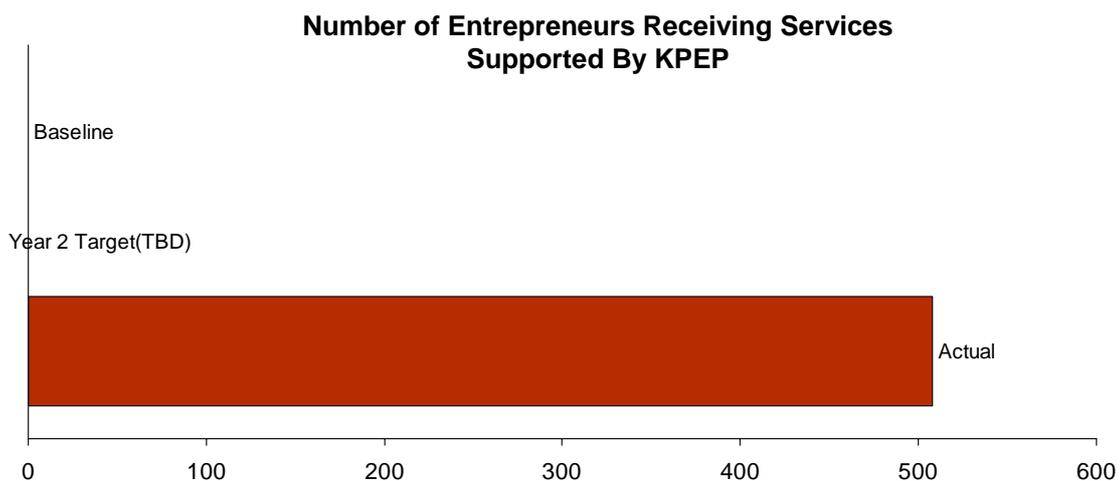
Quarterly Results. This indicator is reported annually. The current figure is 448 new enterprises registered as of September 30, 2009.

1IR.1.3.1 (6) Increased Competitiveness of Key Sectors

Indicator: Number of entrepreneurs receiving services supported by USAID

Definition of the indicator: Number of entrepreneurs receiving services directly by KPEP or indirectly through associations supported by USAID

Data Source: Data received from sector specialists.



Quarterly Results. Any service provided, other than training (which is reported under Indicator 1 on workforce development component) is included and reported under this indicator. The list of services provided, among others, includes: study tours (US, Bulgaria, etc.), HACCP assessment survey, trade and business linkages, etc. To date, the total number

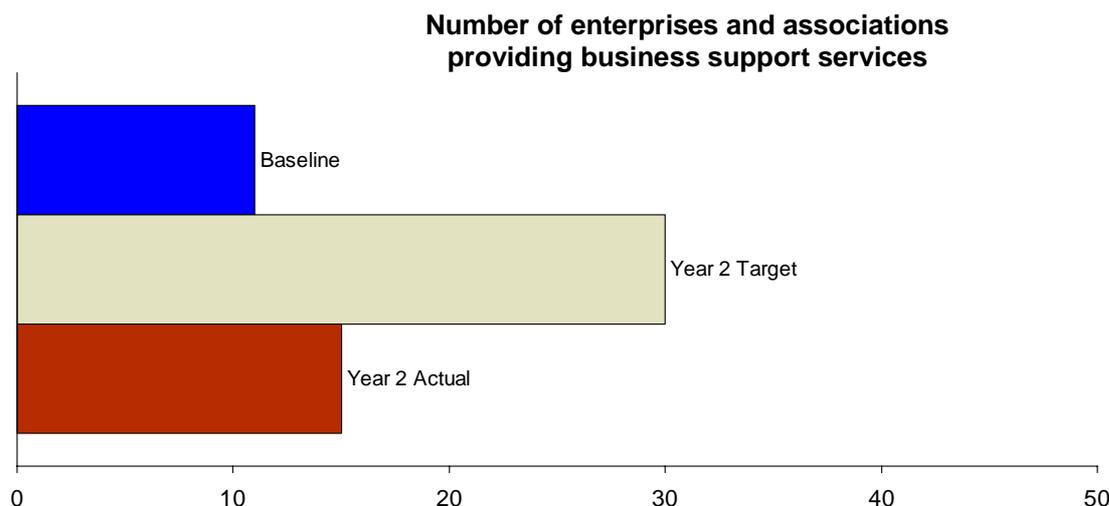
of 508 entrepreneurs received services supported by KPEP. No change was recorded during this quarter.

IR.1.3.2 (1) Improved and Demand Driven Business Support Services

Indicator: Number of enterprises and associations providing business support services

Definition of the indicator: Number of enterprises and associations providing business support services that are assisted by KPEP.

Data Source: Data received from sector specialists and BSS team.



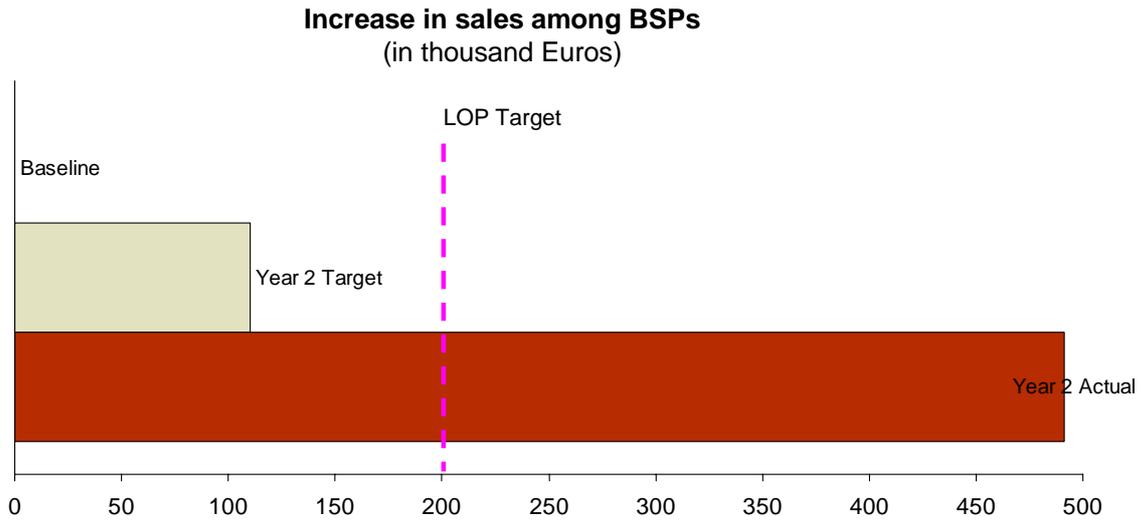
Quarterly Results. The total number of 15 BSPs are on the list of KPEP assisted BSPs. The companies that are on this list belong to two groups supported by KPEP: enterprises which participated in the Premier Advisor Training program, and companies that are twinning partners of international consultants that are engaged with the KPEP program. This number is still below the Year 2 cumulative target of 30 BSPs. No new companies were added during the quarter. In consultation with USAID, we have deemphasized the support to the BSPs.

IR.1.3.2 (2) Improved and Demand Driven Business Support Services

Indicator: Increase of sales among BSPs

Definition of the indicator: Value of sales among targeted BSPs, supported by KPEP and disaggregated by export sales.

Data Source: Data received from sector specialists and BSS team.



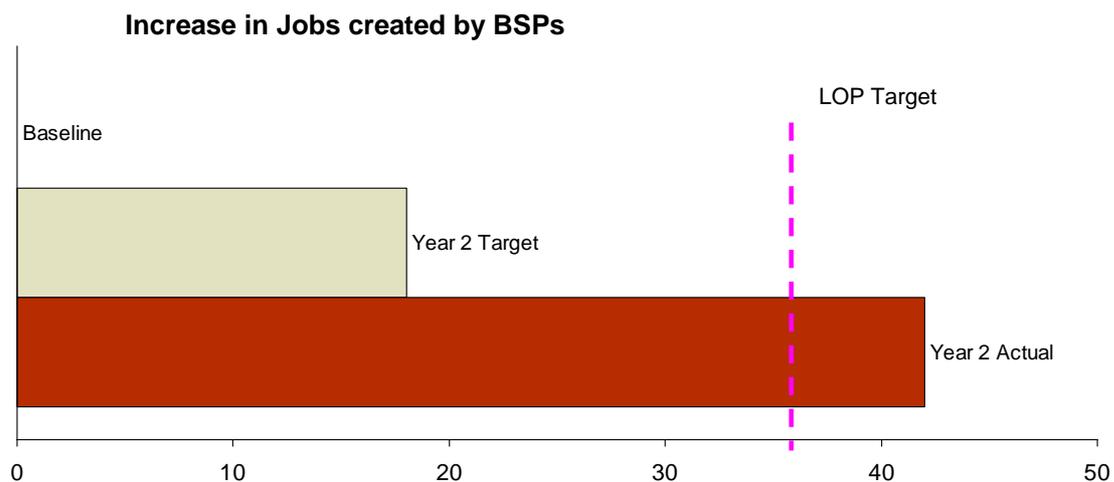
Quarterly Results. The target cumulative increase in sales for Year 2 is €110,000 over baseline. The cumulative increase in sales to date is €491,098, which already exceeds LOP target increase in sales of €200,000. During this quarter alone, there was an increase in sales when comparing to the baseline of €58,353.

IR.1.3.2 (3) Improved and Demand Driven Business Support Services

Indicator: Increase in jobs created among USAID supported BSPs

Definition of the indicator: Number of jobs created, among target business service providers, in terms of full-time equivalent jobs. Person days of employment (part-time employment) are converted to annual full-time equivalent - FTE jobs using 225 days of labor per year.

Data Source: Data received from sector specialists and BSS team.



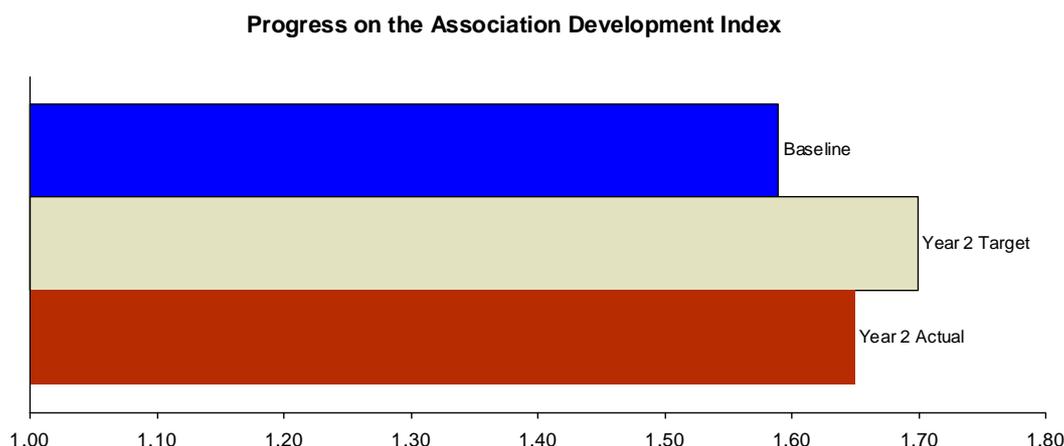
Quarterly Results. The target cumulative increase in FTE jobs over baseline for Year 2 is 18. The cumulative increase in FTE jobs to date is 42, which already exceeds the LOP target increase of 36 FTE jobs.

IR.1.3.2 (4) Improved and Demand Driven Business Support Services

Indicator: Progress on the Association Development Index

Definition of the indicator: Progress made by associations on eight elements of the Association Development Index for associations targeted by KPEP. The “Association Development Index as Applied to Selected Associations in Kosovo” assessment was conducted for associations of various businesses in the Republic of Kosovo. Sixteen business associations were chosen for this purpose. The data was collected using an evaluation tool/questionnaire, i.e. the Association Development Index, provided by USAID KPEP. The Index identified eight elements key to effective association management and was supplemented with questions to enhance understanding of each element. Evaluations of the individual associations were used to create the overall recommended baseline. That baseline was developed using statistical averages of mean, median and mode. The recommended baseline is 1.59, which is the median score. The idea is to conduct this type of assessment each year to monitor the progress of associations.

Data Source: Annual survey was conducted during September 2009.



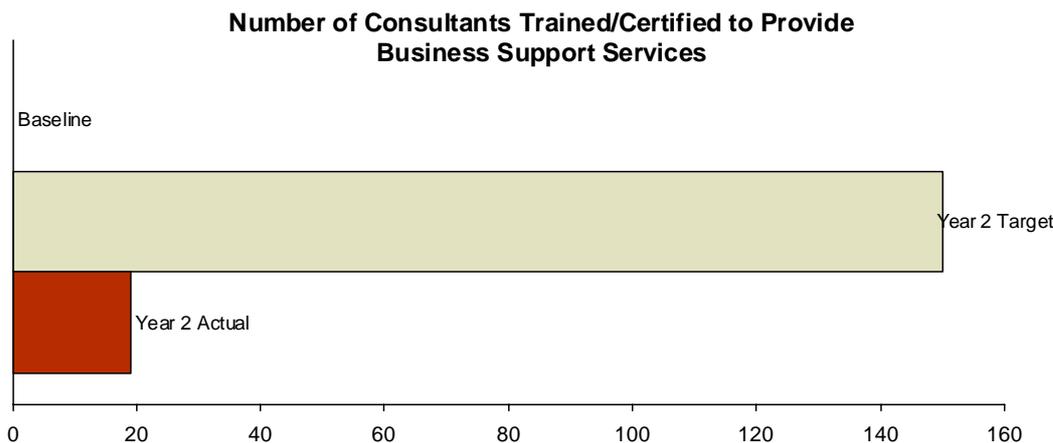
Quarterly Results. No changes to report during this quarter. The graph shows the current score of the progress on ADI which is at 1.65 median score as of September 30, 2009. This indicator is reported only on an annual basis. The next annual survey will be conducted during September 2010.

IR.1.3.2 (5) Improved and Demand Driven Business Support Services

Indicator: Number of consultants trained/certified to provide business support services

Definition of the indicator: Number of consultants trained/ certified to provide business support services, trained by KPEP or a target BSP, supported by USAID.

Data Source: Data received from sector specialists and BSS team.



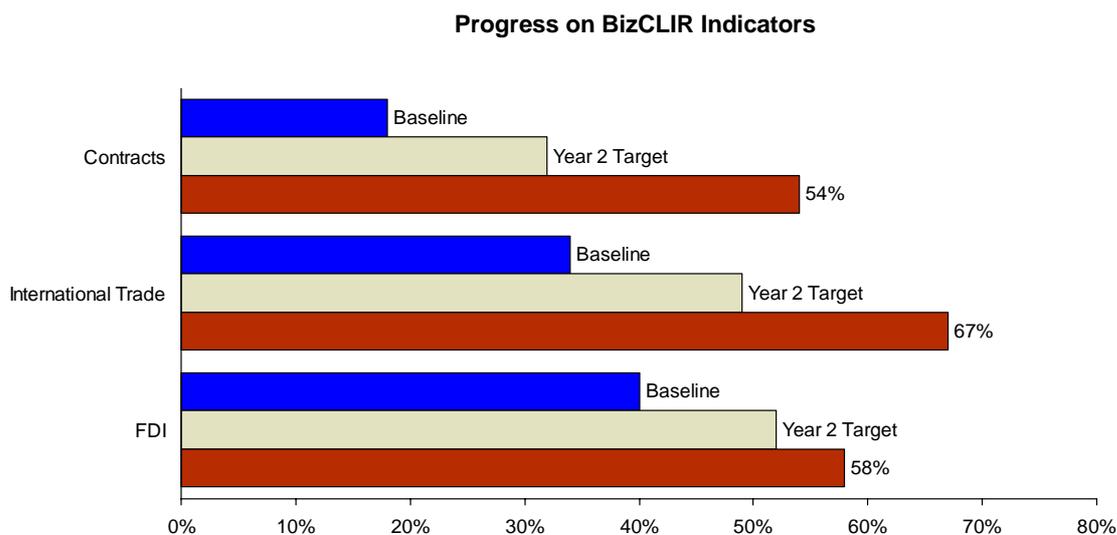
Quarterly Results. The cumulative target for the number of consultants trained or certified to provide business support services for Year 2 is 150. No changes were reported during this quarter, since USAID asked KPEP to deemphasize the work with consulting firms. The actual result presented in the chart is the same as in the previous quarter. During the first year, 19 consultants were certified in the “Kosovo Premier Advisor” training course.

IR.1.3.3 (1) Improved Business Operating Conditions

Indicator: Progress on the Business Environment Index (BizCLIR)

Definition of the Indicator: The mechanism for monitoring the BEE is the set of Commercial Legal Institutional Reform Assessment Indicator scores compiled for USAID in 2004 and updated in 2006. A 2009 update conducted by KPEP established a baseline, and subsequent updates will chart progress of indicators and subcategories relevant to KPEP activities each year.

Data Source: Annual survey has been conducted to update BizCLIR Index



Quarterly Results. The 2010 BizClir indicator scoring suggested improvements in the following KPEP-relevant areas:

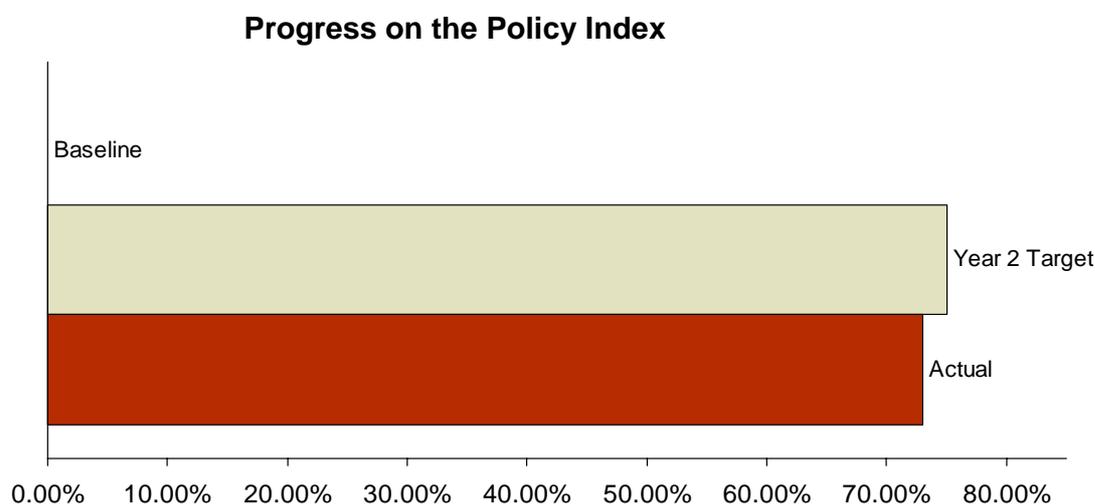
- Contracts: No improvements were seen in the Supporting Institutions or Social Dynamics areas, though there was some small improvement in the scores for Implementing Institutions;
- International Trade: Small improvements were scored in all areas except for the Legal Framework; and,
- FDI: We saw some rather significant improvement in both the Supporting Institutions and Social Dynamics Sections.

IR.1.3.3 (2) Improved Business Operating Conditions

Indicator: Progress on the policy index

Definition of the Indicator: The number of policies that have met or exceeded established targets on the policy index using percentage of completion.

Data Source: Data received from BEE team.



Quarterly Results. During this quarter, the BEE team worked on 4 policies:

- CEFTA Implementation
- Implementation of the Food and Veterinary Law
- Pilot Forest Certification, and
- Excise Tax Reform

The overall score for all policies to date is 73%, calculated as a weighted average for completion of all policies taken together. The target set for Year 2 on the Policy Index is set at 75%.

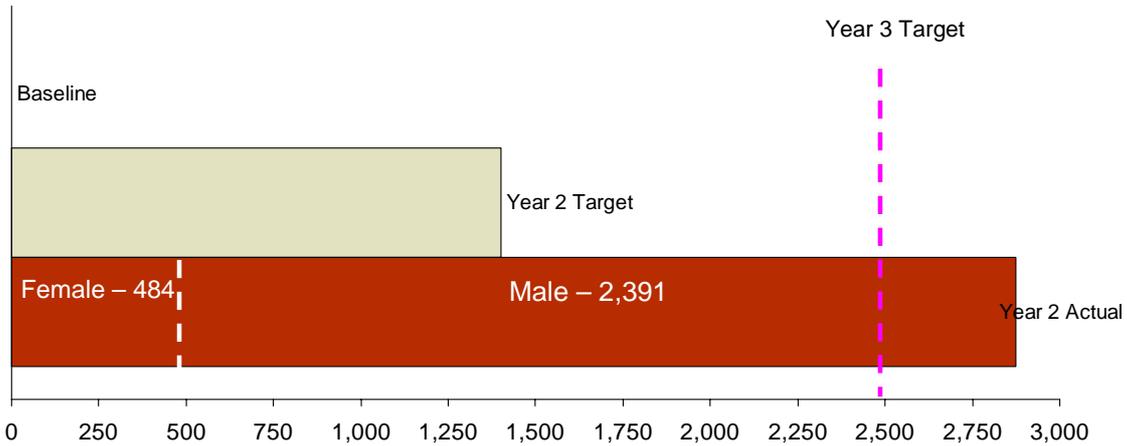
IR.1.3.4 (1) Improved Capacity of the Workforce to Engage in Employment Opportunities

Indicator: The number of individuals trained through USAID sponsored training

Definition of the indicator: The number of individuals trained, disaggregated by gender, age, ethnicity, sector, type of training etc.

Data Source: Data received from sector specialists and WFD team.

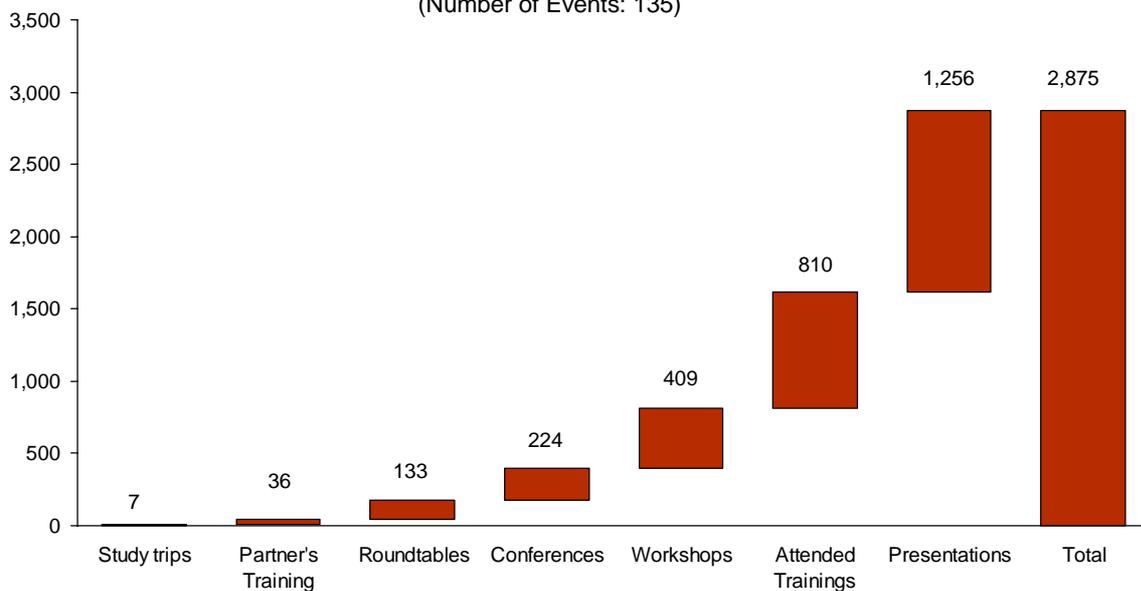
Number of People Trained



Quarterly Results. To date, the number of people trained is 2,875, thus exceeding the Year 3 target. During this quarter alone, the number of people trained was 840. From this number, 701 were male and 139 female, 197 were the people from minority areas, and 297 were below 25 years old.

Below is the chart that presents number of training events, and number of people trained by training category for the LOP.

Number of People Trained
(Number of Events: 135)

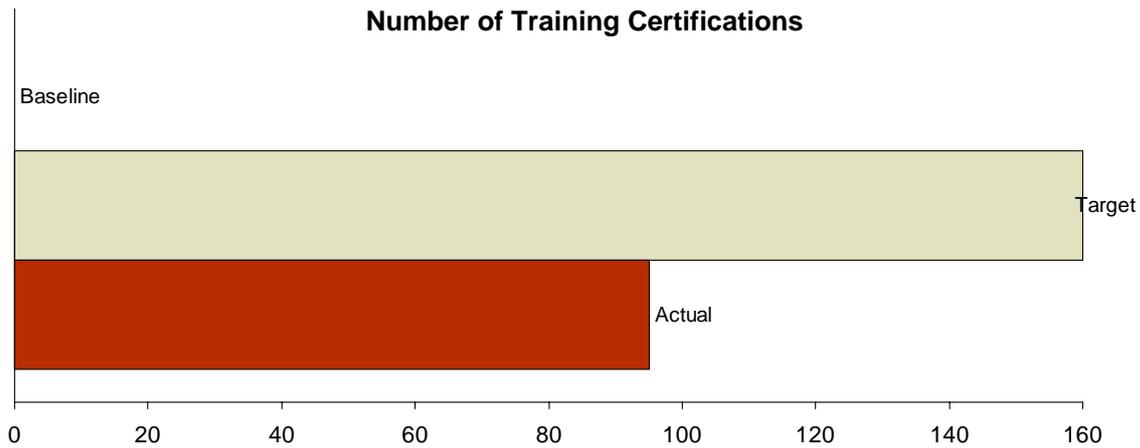


IR.1.3.4 (2) Improved Capacity of the Workforce to Engage in Employment Opportunities

Indicator: Number of training certifications

Definition of the indicator: Number of training certifications earned by participants for completing the training.

Data Source: Data received from sector specialists and WFD team.



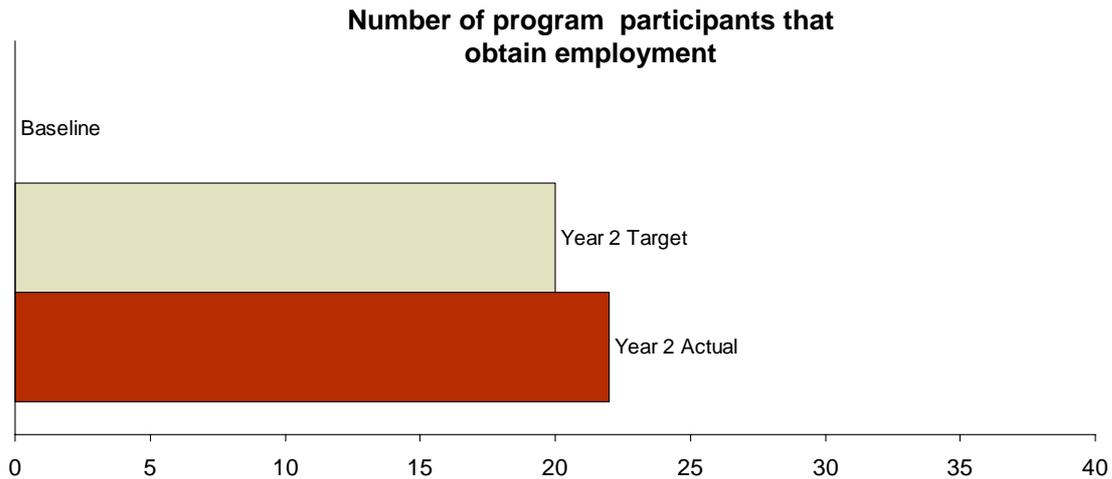
Quarterly Results. To date, the number of training certifications earned by participants for completing the training is 95. There were two events held during this quarter resulting in 75 participants earning certificates: “Entrepreneurship training” (in Drenas and Prizren)-50 certificates, and “Greenhouse as a business”-25 certificates.

IR.1.3.4 (3) Improved Capacity of the Workforce to Engage in Employment Opportunities

Indicator: Number of program participants that obtain employment

Definition of the indicator: Number of program participants that obtain employment, disaggregated by gender, ethnicity.

Data Source: Data received from sector specialists and WFD team.



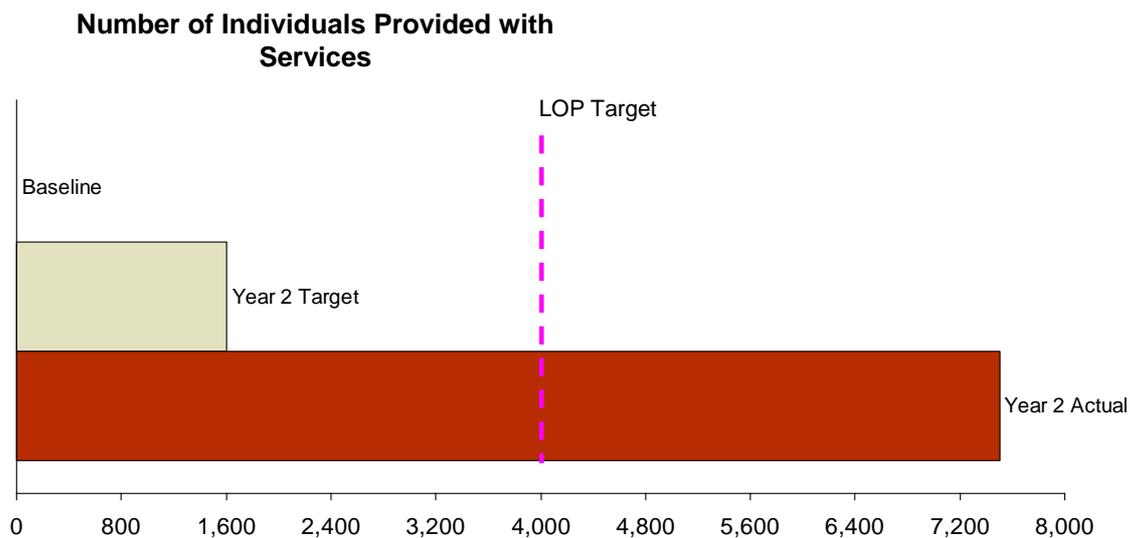
Quarterly Results. 23 interns that completed three internship programs: “Business Economic Internship”, “Entrepreneurship training” and “Accounting and financial analysis” training programs obtained employment during this quarter.

IR.1.3.4 (4) Improved Capacity of the Workforce to Engage in Employment Opportunities

Indicator: Number of individuals provided with services

Definition of the Indicator: Number of individuals provided with services, disaggregated by type of service: counseling, referrals, placement, gender and ethnicity. It excludes the number of people trained since that is reported under Indicator IR.1.3.4 (1).

Data Source: Data received from sector specialists and WFD team.



Quarterly Results. To date, the number of individuals provided with services is 7,502. The LOP cumulative target number, which is set at 4,000 individuals trained by the end of FY 2012, has already been exceeded. The data reported derive from events and activities organized or supported by the WFD component and component one sector teams. The data

on the people participating in trade fairs is also included in this number. During this quarter alone, the number of individuals provided with services was 99.

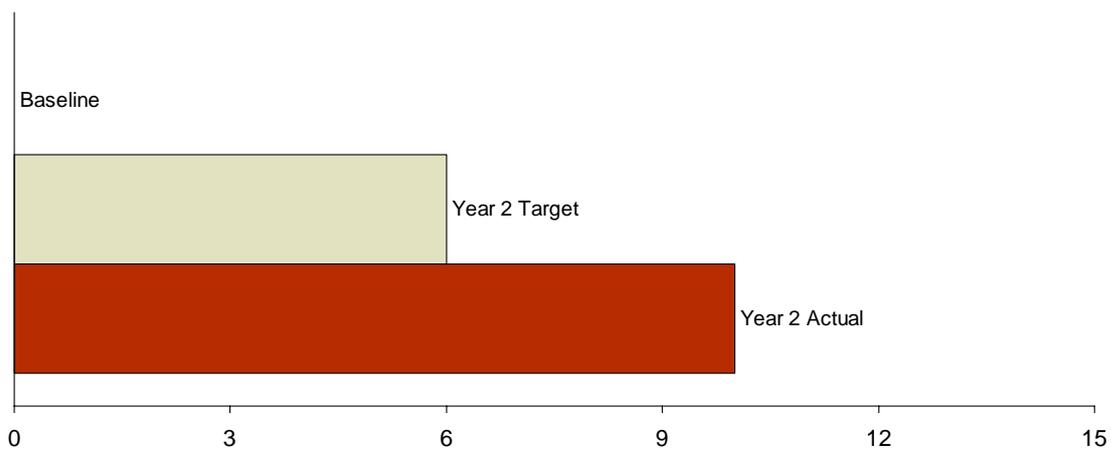
IR.1.3.4 (5) Improved Capacity of the Workforce to Engage in Employment Opportunities

Indicator: Number of Internship programs

Definition of the Indicator: Internships include any sort of embedded training or on the job training.

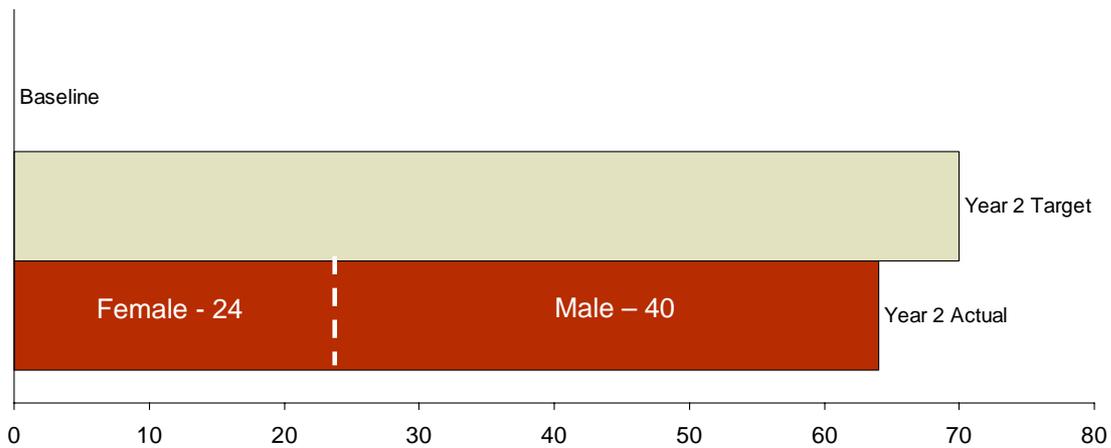
Data Source: Data received from sector specialists and WFD team.

Number of Internship Programs



Quarterly Results. To date, KPEP organized ten different activities related to internships. Three internship programs started during this quarter: Greenhouse as a business, Start-up weekend in Prishtina and Wood Industry Internship. The total number of interns participating in the internship programs to date is 64. In this quarter alone, this number is 41.

Number of Students in Internship Programs

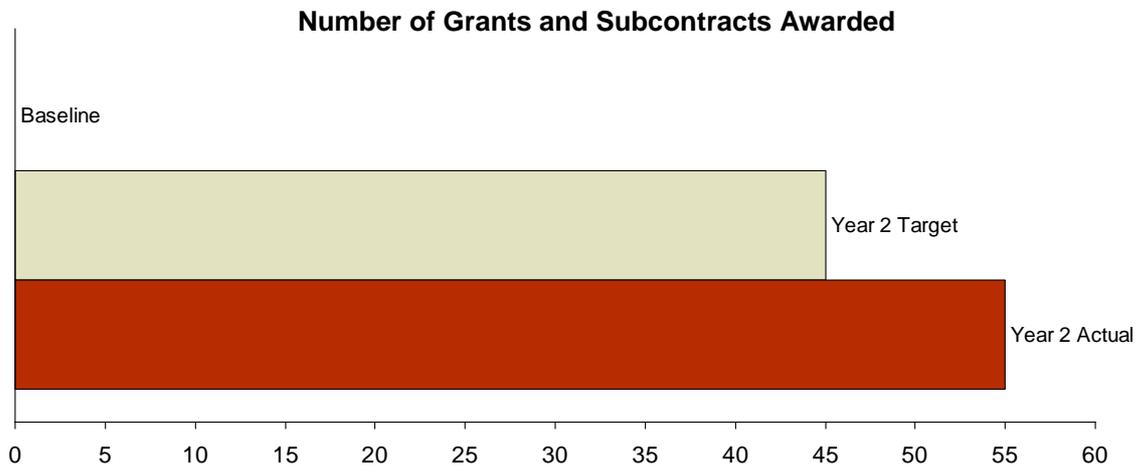


Strategic Activities Fund

Indicator: Number of grants/sub-contracts

Definition of the Indicator: Number of grants and sub-contracts awarded.

Data Source: Data received from SAF specialist.

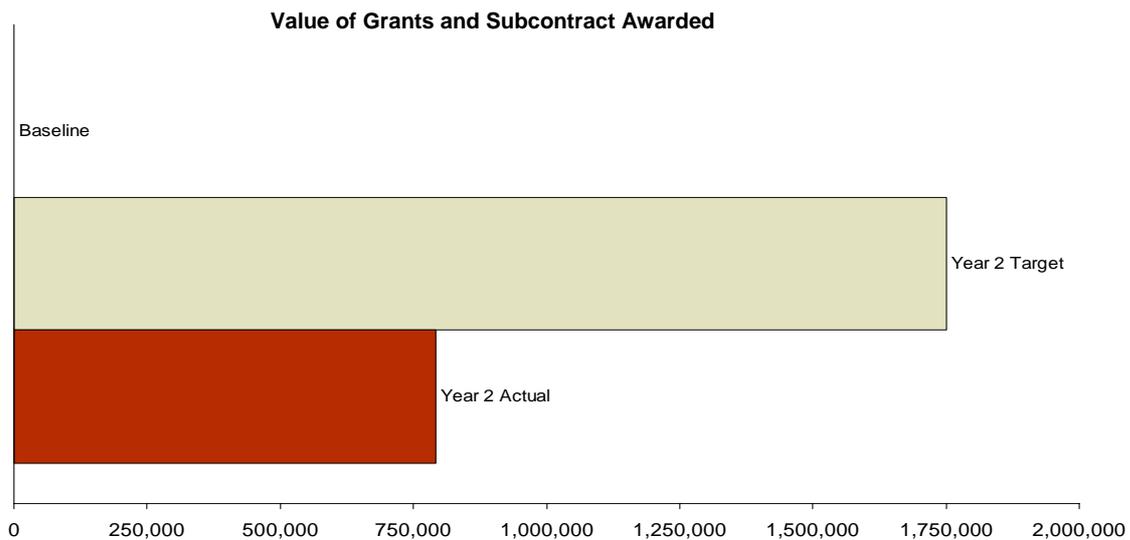


Quarterly Results. To date, there were 55 grants and sub-contracts awarded. During this quarter alone, there were 13 grants and sub-contracts awarded.

Indicator: Value of grants and sub-contracts

Definition of the Indicator: Value of grants and sub-contracts awarded.

Data Source: Data received from SAF specialist.



Quarterly Results. To date, the value of grants and sub-contracts awarded was €791,223. During this quarter alone, the value of grants and sub-contracts awarded was €220,215.

Annex 2. PMP Report - Annual Goals and Results

SO# IR#	SO Name	Unit measure	Base-line Year	Base-line Value	2009 Target	2009 Actual	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	2012 Actual
1.3	Accelerated Growth of Private Sector											
Indicators												
1 (AR)	Exports as % of imports, by sector	Percent	2008	10.2%	11.0%	10.7%	11.5%	10.7%	12.0%	0.0%	13.0%	0.0%
2	Foreign direct investment, by sector	Thousand Euros	2008	357,400	430,000	250,180	451,000	0.0	475,000	0.0	500,000	0.0
3	Value of sales, by sector	Thousand Euros	2008	4,418,000	4,900,000	4,552,795	5,400,000	1,896,907	6,000,000	0	6,700,000	0
4	Number of people employed, by sector	Number	2008	481,000	488,000	496,708	512,000	503,704	523,000	0	534,000	0
1.3.1	Increased Competitiveness of Key Sectors											
Indicators												
1	Increase in sales in target sectors	Euros	2008	84,694,403	8,000,000	13,177,698	20,000,000	31,810,993	40,000,000	0	50,000,000	0
	% increase in sales over current baseline	Percent	2008	0	9.7%	25.7%	23.6%	37.6%	47.2%	0.0%	59.0%	0.0%
2	Increase in investments in target sectors	Euros	2008	0	3,200,000	9,570,686	8,000,000	13,822,428	16,000,000	0	20,000,000	0
3 (AR)	Increase in jobs created in target sectors	Number	2008	1,540	800	293	2,000	709	4,000	0	5,000	0
4	Number of enterprises assisted in target sectors	Number	2008	36	61	47	85	57	110	0	140	0
5	Number of new start-ups in target sectors	Number	2008	0	7	448	12	0	16	0	20	0
6	Number of entrepreneurs receiving services supported by USAID	Number	2008	0	0	496	TBD	508	TBD	0	TBD	0
1.3.2	Improved and Demand Driven Business Support Services											

Indicators												
1	Number of enterprises and associations providing business support services	Number	2008	11	20	15	30	15	35	0	40	0
2	Increase of sales among BSPs	Euros	2008	1,228,873	40,000	236,566	110,000	491,098	150,000	0	200,000	0
3	Increase in jobs created among USAID supported BSPs	Number	2008	90	8	23	18	42	31	0	36	0
4	Progress on the Association Development Index	Median score	2008	1.59	1.60	1.65	1.70	0.00	1.90	0.00	2.00	0.00
5	Number of consultants trained/certified to provide business support service	Number	2008	0	70	19	150	19	240	0	300	0
1.3.3	Improved Business Operating Conditions											
Indicators												
1	Progress on the Business Environment Index (BizCLIR)											
1.1	Contracts	Percent	2008	18%	25%	0%	32%	34%	40%	0%	50%	0%
1.1.1	Supporting Institutions (B.3)	Percent	2008	10%	15%	0%	19%	21%	24%	0%	30%	0%
1.1.2	Social Dynamics (B.4)	Percent	2008	26%	35%	0%	44%	41%	55%	0%	69%	0%
1.2	International Trade	Percent	2008	34%	41%	0%	49%	67%	59%	0%	70%	0%
1.2.1	Legal Framework (H.1)	Percent	2008	41%	45%	0%	53%	82%	63%	0%	74%	0%
1.2.2	Implementing Institutions (H.2)	Percent	2008	27%	40%	0%	47%	45%	56%	0%	65%	0%
1.2.3	Supporting Institutions (H.3)	Percent	2008	35%	40%	0%	47%	73%	56%	0%	65%	0%
1.2.4	Social Dynamics (H.4)	Percent	2008	34%	40%	0%	50%	61%	62%	0%	76%	0%
1.3	Foreign direct investment, by sector	Percent	2008	40%	48%	0%	52%	58%	55%	0%	60%	0%

1.3.1	Legal Framework (K.1)	Percent	2008	43%	45%	0%	49%	74%	52%	0%	57%	0%
1.3.2	Implementing Institutions (K.2)	Percent	2008	36%	45%	0%	49%	53%	52%	0%	57%	0%
1.3.3	Supporting Institutions (K.3)	Percent	2008	54%	60%	0%	65%	76%	70%	0%	76%	0%
1.3.4	Social Dynamics (K.4)	Percent	2008	28%	40%	0%	43%	43%	47%	0%	50%	0%
2	Progress on the policy index	Percent	2008	0	70%	72%	75%	73%	TBD	0	TBD	0
1.3.4	Improved Capacity of the Workforce to Engage in Employment Opportunities											
Indicators												
1	The number of individuals trained through USAID sponsored training	Number	2008	0	700	1,620	1,400	2,875	2,500	0	3,000	0
2	Number of training certifications	Number	2008	0	80	20	160	95	275	0	325	0
3	Number of program participants that obtain employment	Number	2008	0	TBD	2	20	25	100	0	150	0
4	Number of individuals provided with services	Number	2008	0	800	7,326	1,600	7,502	3,500	0	4,000	0
5	Number of internships	Number	2008	0	3	3	6	10	8	0	10	0
Strategic Activities Fund												
Indicators												
1	Number of grants/sub-contracts	Number	2008	0	20	26	45	55	70	0	90	0
2	Value of grants and sub-contracts	Euros	2008	0	400,000	447,837	1,750,000	791,223	2,370,000	0	2,625,000	0

Annex 3. PMP Report - Summary of Quarterly Results

SO# IR#	SO Name	Unit measure	Base- line Year	Base-line Value	2010 Target	Q1 2010 Actual	Q2 2010 Actual	Q3 2010 Actual	Q4 2010 Actual	2010 To Date
1.3	Accelerated Growth of Private Sector									
Indicators										
1 (AR)	Exports as % of imports, by sector	Percent	2008	10.2%	11.5%	10.7%	10.7%			10.7%
2	Foreign direct investment, by sector	Thousand Euros	2008	357,400	451,000	0	0			0
3	Value of sales, by sector	Thousand Euros	2008	4,418,000	5,400,000	903,289	993,618			1,896,907
4	Number of people employed, by sector	Number	2008	481,000	512,000	3,796	3,200			6,996
1.3.1	Increased Competitiveness of Key Sectors									
Indicators										
1	Increase in sales in target sectors	Euros	2008	84,694,403	20,000,000	18,671,893	-38,598			18,633,295
	% increase in sales over current baseline	Percent	2008	0	23.6%	22.0%	-0.2%			25.7%
2	Increase in investments in target sectors	Euros	2008	0	8,000,000	2,927,441	1,324,301			4,251,742
3 (AR)	Increase in jobs created in target sectors	Number	2008	1,458	2,000	138	278			416
4	Number of enterprises assisted in target sectors	Number	2008	36	85	7	3			10
5	Number of new start-ups in target sectors	Number	2008	0	12	0	0			0
6	Number of entrepreneurs receiving services supported by USAID	Number	2008	0	TBD	12	0			12
1.3.2	Improved and Demand Driven Business Support Services									

Indicators										
1	Number of enterprises and associations providing business support services	Number	2008	11	30	0	0			0
2	Value of sales among BSPs	Euros	2008	1,029,210	110,000	196,179	58,353			254,532
3	Increase in jobs created among USAID supported BSPs	Number	2008	81	18	14	5			19
4	Progress on the Association Development Index	Median score	2008	1.59	1.70	0.00	0.00			0.00
5	Number of consultants trained/certified to provide business support service	Number	2008	0	150	0	0			0
1.3.3	Improved Business Operating Conditions									
Indicators										
1	Progress on the Business Environment Index (BizCLIR)									
1.1	Contracts	Percent	2007	18%	32%	0	34%			34%
1.1.1	Supporting Institutions (B.3)	Percent	2007	10%	19%	0	21%			21%
1.1.2	Social Dynamics (B.4)	Percent	2007	26%	44%	0	41%			41%
1.2	International Trade	Percent	2007	34%	49%	0	67%			67%
1.2.1	Legal Framework (H.1)	Percent	2007	41%	53%	0	82%			82%
1.2.2	Implementing institutions (H.2)	Percent	2007	27%	47%	0	45%			45%
1.2.3	Supporting Institutions (H.3)	Percent	2007	35%	47%	0	73%			73%
1.2.4	Social Dynamics (H.4)	Percent	2007	34%	50%	0	61%			61%
1.3	Foreign direct investment, by sector	Percent	2007	40%	52%	0	58%			58%

1.3.1	Legal Framework (K.1)	Percent	2007	43%	49%	0	74%			74%
1.3.2	Implementing institutions (K.2)	Percent	2007	36%	49%	0	53%			53%
1.3.3	Supporting Institutions (K.3)	Percent	2007	54%	65%	0	76%			76%
1.3.4	Social Dynamics (K.4)	Percent	2007	28%	43%	0	43%			43%
2	Progress on the policy index	Percent	2008	0	75%	66%	73%			73%
1.3.4	Improved Capacity of the Workforce to Engage in Employment Opportunities									
Indicators										
1	The number of individuals trained through USAID sponsored training	Number	2008	0	1,400	527	728			1,255
2	Number of training certifications	Number	2008	0	160	20	75			95
3	Number of program participants that obtain employment	Number	2008	0	20	2	23			25
4	Number of individuals provided with services	Number	2008	0	1,600	77	99			176
5	Number of internships	Number	2008	0	6	4	3			7
Strategic Activities Fund										
Indicators										
1	Number of grants/sub-contracts	Number	2008	0	45	16	39			55
2	Value of grants and sub-contracts	Euros	2008	0	1,750,000	123,171	668,052			791,223