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USAID KOSOVO PRIVATE ENTERPRISE PROGRAM (KPEP)

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Executive Summary

As the KPEP project enters its final year, and now with only 8 effective months of run time, we find ourselves with significant development activity still underway. Much of these activities will take us over and above project targets. Since we are working to develop the private sector, and this sector is now beginning to show its capacity, we are receiving increased demand for services. These demands are now more of a technical and catalytic nature than the traditional grant support requests. This is as it should be. The KPEP team continues to prove itself able to catalyze leveraged support and has further demonstrated that it is trusted by both the public and private sectors to bring about needed changes, as evidenced by a willingness to partner with us; as well as from the government perspective, to take action on the basis of the direction indicated by the KPEP team. The project team remains intact and is enthusiastically committed to maintaining the solid momentum that is the hallmark of the KPEP project.

The Livestock component is making good progress towards moving the industry into the stronger competitive position required for it to gain market share internally and move into more export opportunities. HACCP certifications are moving to conclusion, as dairies finalize their



physical construction activities. New plant introductions are realizing the possibility of additional product lines in the form of higher end cheeses and fruit yoghurts. The transparent raw milk sampling activities are still not yet fully reliable but are producing results that much of the industry is using as a basis of payment. This program has catalyzed an improved relationship between the production and processing associations which is fundamental to energizing the sector.

Support for the annual promotion campaign is growing and it is likely that this

year will see a bigger program than in previous years. The poultry sector continues to project good growth prospects. Market demand is strong for fresh poultry meat and a recent KPEP-initiated government intervention has reduced the unfair trading practices felt from Slovenian imports. Outgrowers are now being identified to supply into this market and take the poultry sector to the next level.

The Fruit and Vegetable sector now has all the KPEP investments in cold storage fully functional. This serves well for the coming production season. The growth of the processing sector has begun to stimulate increased confidence in plantings and the 2012 pre-season vegetable B2B meeting showed an indication of at least a 50% increase in processor offtake. This will be translated into plantings in the spring. The input supply sector has begun to show a



response, with seedling producers stepping up their forecasts and capacities for the year – initial indications are for a 30% increase in commercial seedling demand. Private sector extension services are being developed to meet the increased commercial mindset of producers. The greenhouse sector will see a new entrant into the market this year with the supply into the Rahovec area of 1.2 ha of Israeli

greenhouse units complete with irrigation and inputs. The Shiitaki mushroom out grower industry has got off to a credible start with strong interest being shown by growers in the Klina area as well as growers in North Kosovo. In-bound investor interest, stimulated by the Izmir B2B conference has begun to be seen with processor interest in Kosovo as a producer and marketing springboard into Europe. European buyers with Diaspora links are increasing their demand for Kosovo fresh and processed product.

The Non Wood Forest products sector has seen good progress in reaching final arrangements for the HACCP certifications of the 5 firms slated to receive this during 2012. Four firms are immediately ready for the certification actions or have already received certification and one remains in process. All five should be completed during Q2. This will add value in terms of market readiness, and prepare the industry to make concerted efforts in new market penetrations during 2012. The industry is looking to capitalize on its new certifications and the increased volume opportunities that this should bring. At least 4 firms are seeking opportunities to increase offtake by entering the cultivated NWFP (or Medicinal and Aromatic Plant - MAP) market. This will require significant KPEP support, and mentoring during Q2. KPEP remains



optimistic that with effective mobilization 50ha of new MAP plantings will be achieved. During Q1, KPEP again attempted to support the sale of wild harvest chestnuts with limited success. The extremely dry growing season resulted in very small mature fruits – too small to gain an initial uptake in the export market. Italian firms remain interested and open ended contracts remain viable for up to 300mt in the next season. Hit Flores did manage to market 22mt (44%) of target locally through supermarket chains – proving at least local marketability in commercial volumes.

Raspberry promotion both in the market and in the production sectors has been rewarded with a solid partnership opportunity with the USAID YEP project – YEP providing entrepreneurship grants and KPEP providing the necessary technical backstopping – with approximately 50 farmers having expressed interest in establishing or intensifying raspberry cultivation in Strpce/ Shterpce. This may well produce our target hectare increase of 10ha during Q2 and Q3.

The **Forest** sector activity has focused this year on preparing for the long awaited FSC certification of the Kosovo national forest management standard. Q1 saw intensified communication and lobbying with the FSC senior leadership in Bonn and in the USA to move our standard out of committee and into action. This has produced limited results with the FSC still in an apparently indecisive position in this regard. It is unclear if this has anything to do with



the status of Kosovo, as it seems that more than one country's standard application is in the same situation. In anticipation, Ahishte management unit in Kaçanik and Koritnik management unit in Dragash are prepared and ready for application and pre audit inspection. KPEP has also been engaged during Q1 in the discussion regarding the establishment of a new National Park in South West Kosovo. The outcome is that this proposal is to be reconsidered in light of obvious economic implications.

The **Wood Processing** sector has been particularly successful in working through the Association of Wood Processors (AWPK) to target industry interventions such as participation at trade fairs and other promotion activities. Additionally, the annual work plan of the association has specified a new approach to internship development. This approach has been to place interns with firms into positions that *do not exist* at the time of placement. In this way,



internships offer an avenue for job creation rather than providing trained personnel to existing positions only. Of the 39 interns placed with firms during the period, 32 received full time placements offers (82% placement rate) and more critically, *created 10 new positions* in the firms. This is a process which could well be imitated by other internship programs. Through KPEP support, AWPK has finally become a full member of the European Federation of Furniture Manufacturers (UEA), as of the Nov. 10 meeting of the federation's general council in Tallinn, Estonia. The sector continues to support the development of the biomass industry and is preparing to make presentations to investors and financiers on the position of this and the whole

wood processing sector. Additionally, KPEP has been preparing for a formal presentation to the donors and the Government on the impact of the 2013 deadline for imposition of EU rules of chain of custody.

The **Construction and Construction Materials** sector has been focusing on firm level support to lead operators in the light manufacturing and clay materials manufacturing sectors. During the reporting period, Vinex launched its new galvanized guard-rail manufacturing plant, and Rizam finalized its procurement of new laboratory testing equipment designed to further improve consumer confidence in its products especially in the regional markets.

Additionally, KPEP has been endeavoring to leverage support to bring certification to Vinex specifically to ensure that its new product meets exacting European standards. The sector has



also been working with the KPEP Work Force Development component to secure long term sustainability for the welders training and the heavy equipment operators training programs offered now at the KEK training center. Promised funding is emerging slowly from Ministry of Labour in support of the KEK center. Additionally the sector is working at putting into place the required funding for a sustainable road engineers training course through the University of Prishtina. Negotiations are currently stalled with the University appearing disinterested in having students contribute to the course costs. Progress this quarter has

been significant in pulling together the special board of the Ministry of Environment and Spatial Planning dealing with the certification of architects and engineers. The board is fully functional and making good progress towards the development of appropriate examinations and procedures.



The **ICT** sector has concentrated specifically on firm level support, that result in the creation of new jobs in this sector. It has been remarkably successful with three new ventures specifically – Tekfuze (producing electronic components), business service center Baruti (serving the Swiss German market specifically) and Sprigs (generating and marketing Android platform applications).

Each of these new ventures has hired or is in the process of hiring full time employees. From start up to full implementation in a period of less than 6 months, and employing on average 10 young

specifically trained individuals, is a remarkable achievement. KPEP has used a combination of targeted internships and specific training programs, along with significant one-on-one firm technical support to achieve these impressive results. In partnership with the Innovation Center Kosovo ICK, KPEP supported and provided mentoring services to the first Start-up Weekend which resulted in 3 new businesses developing business ideas with merit. Additionally there has been a focus on upgrading of the work force in the sector in general by providing, in partnership with the IFC program for example, training in Information Security Systems management.

The **Tourism** sector has spent considerable effort in consolidating the exposure of Kosovo's



tourism opportunities through regional travel fairs, Tourism Association promotions, Western Balkans Geotourism web site, inclusion of Kosovo into an increasing number of regional tours and appropriate B2B opportunities. The sector seems set to achieve the aggressive growth targets established for the work plan year, with tourism sales increasing over Q1 by an impressive twelvefold compared to the same period last year. While is too early to determine the annual achievement, this is a very promising start. Wine tourism, a key intervention area for the project over the past year, has seen a 67% increase quarter-on-quarter on the international side and a sound sixfold increases in local support,

with the active wine tourism season still to come. The emphasis here is that the promotional campaigns as well as the quality on offer seems to be meeting the requirements of the clients. Additionally, KPEP has embarked on the development of the next critical component of regional tourism in Kosovo – a consolidated Bed and Breakfast program.



In the **Recycling** sector, work has targeted the streamlining of the collection of waste PET by KPEP client Grinteh. PET collections by the firm are set to grow by 25% this work plan year. Although too early to determine progress for the year, initial indications are that we will easily achieve the target growth in collections.



The support services components of **Business Support Services** and **Work Force Development** continued to provide support during this quarter to all sectors in meeting the aggressive targets for internship design, placement and post placement support. BSS and WFD are taking the lead in the welders training activity highlighted under the construction sector review. BSS is actively preparing the lobbying workshops to be held in support of associations during Q2, and is preparing to take action on the outcomes of the Association Development Index analysis during the year.

The **Business Enabling Environment (BEE)** function has focused on direct sector support in legal and regulatory review, specifically during the quarter under review, in Agriculture (Dairy), Forestry, Construction and ICT. Additionally BEE has provided a critical project coordination function, working with USAID BEEP, USAID YEP, EU SME, DFID-PSDP 2, EU RED, GIZ, EU Trade Project, ADA and the World Bank. KPEP BEE functions effectively as the coordinating office for the EU SME group. Additionally, BEE is working closely with the USAID SEAD project to develop new standard form contracts for agriculture; this work is set to realize contracts and their outreach during Q2.



The **North Kosovo Program** continues to produce excellent results, (despite this period proving very difficult with the unrest in all municipalities), with all short-term work programs having come to conclusion during the quarter under review, generating above the targeted work days.

The forest thinning program produced very visible results from short-term work, generating fuel wood for rural communities as well as daily pay for workers. In addition, forest thinning is able to improve potential growth of the forest

and to reduce cycle time to utilization. Additionally, During Q1, the North Team determined that it could effectively modify some of the future short term work activities to generate work equivalents by supporting the introduction of microenterprise activity. Options include micro-greenhouses and the possibility of introducing a micro-outgrower scheme for Shiitaki mushroom cultivation.

Leverage continues to be a pillar of intervention by the KPEP team. The team forecasts 68% of total costs incurred by the interventions to be leveraged from other sources. It is too early in the year to give exact performance figures, but leverage is already in evidence in MoU's signed with the Ministries of Agriculture and of Trade (IPAK specifically) as well as ongoing support from the World Bank's CDF. The Norwegian Ministry of Foreign Affairs stands ready to support new program interventions especially in ICT and possibly in agriculture. The European Union will launch a new round of grants this year and is already active in the Tourism sector in South West Kosovo. The team continues to work at bringing these and other partners into our interventions. As leverage numbers materialize, these will be worked into a full leverage annex in subsequent reports.

Component 1: Increased Competitiveness of Key Sectors

Agriculture: Livestock

Objective 1:

Increasing value

Benchmarks

- **At least two dairy plants HACCP certified**

KPEP contacted the managers of several dairies during Q1 to learn whether they have the willingness and resources to gain HACCP certification during FY2012. While there is strong interest among dairies in implementing HACCP some dairies lack the physical and financial resources needed to do so successfully. KPEP identified a HACCP implementation consultant and scheduled the drafting of a SOW in Q2. Of the plants currently under certification programs, Kabi and Rugova dairy plants will receive final certification inspection in February 2012.

- **At least one private label contract signed**

Preliminary project discussions with the managers of two Albanian dairy plants, Tirana-based Extra and Lushnja's Lufra, resulted in the identification of cream-filled peppers and ice cream as two Kosovo dairy products that potentially could be exported to Albania under a private label contract. There, the foreign companies would sell the Kosovo origin products under their own labels, into their market niche. KPEP will facilitate discussions during Q2 of the conditions for said agreements.

- **At least 10,000 kg of dairy products exported under private labeling**

This activity is foreseen to take place in Q3.

- **Funding raised for the dairy promotion campaign**

During Q1, KPEP updated different international donors present in Kosovo on the results of last year's dairy promotion campaign in increasing local consumer awareness of the value in consuming domestically produced dairy products. The project also requested that various

donors participate in organizing this year's dairy promotion campaign. KPEP has since commenced further, yet preliminary, discussions with Swiss Solidar, which expressed a readiness to engage in the dairy promotion campaign, as has the MAFRD. Additionally, IPAK has indicated an interest in supporting a longer national campaign to "buy Kosovo" under which the dairy campaign might be supported.

- **Ensure the enforcement and implementation of existing trade agreements between Kosovo and other countries**

KPEP, acting on behalf of the Kosovo Dairy Processors Association, drafted and submitted a letter to the Ministry of Trade and Industry in which it requested officials initiate an investigation into alleged export subsidies enjoyed by Macedonian dairy products sold in Kosovo. The Minister, Mimoza Kusari, indicated her readiness to act on this information.

Challenges

KPEP continues to find disagreements among its clients on which mechanism the agribusiness community can utilize in contributing to the formulation of Kosovo agriculture trade policy. The new agricultural committee formed under the Ministry of trade may be useful but it is likely that strengthening the associations may be essential in parallel.

Activities Planned for the Next Quarter

- Draft SOW and commence HACCP implementation in two dairy plants.
- Negotiate a possible agreement for the export of various Kosovo dairy products to Albania, under the brands of two of that country's dairy producers.
- Further solicit donor commitments to organize and support the current year's dairy promotion campaign.

Livestock Industry: Dairy

Objective 2: Increasing Diversity

Benchmarks

- **At least 2 client firms will introduce new dairy products, including fruit yogurt and seasoned Gouda cheese.**

The development of new dairy products remains pending the purchase, delivery and placement into production of needed specialized equipment. Meanwhile, KPEP supported the training of dairy technologists at the Euroлона and Sharri dairies, allowing them to gain the knowledge and skills required to produce seasoned yellow cheeses and fruit yogurts. Euroлона has signed a contract with an Italian manufacturer for a specialized fruit yogurt filling line. The line should arrive during Q2.

Additional Achievements

Based on a KPEP recommendation, CDF awarded a grant to Sharri for the purchase of a specialized vat for producing seasoned and fruit-flavored Gouda cheeses. Sharri has since purchased and installed the vat; pilot production is slated to soon commence.

Challenges

A Euroлона manager faces delays in obtaining an Italian visa. The initial agreement with the Italian manufacturer called for payment to be completed upon client inspection of the equipment. However, the Italian manufacturer now seeks payment prior to shipping the equipment and the visa issue has delayed final shipping.

Activities Planned for the Next Quarter

- Install the new fruit yogurt-filling line at Euroлона.
- Commence pilot production of Gouda at Sharri.

Livestock Industry: Dairy

Objective 3: Improving productivity

Benchmarks

- **At least 2,000 samples a month analyzed, with test results delivered electronically via SMS and email to dairy farmers and dairy processors**

Six partners (MAFRD, KFVA, Swiss Solidar, KPEP, KAMP and KDPA) reviewed a detailed budget and work plan for the transparent raw milk-sampling project and then, by signing an MOU, agreed to continue supporting the program. The MOU regulates the close partnership shared by the six parties in ensuring the project continues to succeed. Field agents continue to collect and deliver raw milk samples to the KFVA on a regular basis. Thanks to KPEP's initiative and persistence, more than 1,200 raw milk test results are being delivered electronically to dairy processors and field agents for the first time. The system enables them to receive test results the same day that milk samples arrive and undergo analysis at the raw milk lab.

- **All dairies apply the milk quality decree**

Due to seasonal shortages of raw milk on the domestic market, dairies are not enforcing the milk quality decree. A team that draws together officials from the MAFRD, KVFA, KAMP and KDPA, SLA and KPEP, has begun working to enforce the milk quality decree.

Additional Achievements

To avoid interruptions in the electronic delivery of raw milk test results, KPEP, after consulting with the head of KFVA, agreed to outsource maintenance of the software to a local IT company. The project has identified the provider and expects to sign an agreement early in Q2.

Challenges

One of the biggest challenges during Q1 was the irregular functioning of the software needed for the electronic delivery of raw milk test results.

Activities Planned for the Next Quarter

- Sign an agreement with a local IT company to maintain the software for the electronic delivery of raw milk test results.
- Visit dairies to ensure the uniform application of the milk quality decree.

Livestock industry: Poultry

Objective 4: Increasing values in the Poultry Sector

Benchmarks

- **At least one broiler growing contract signed**

Konsoni has identified two poultry farmers ready to invest in broiler growing facilities, allowing Konsoni to meet the increased demand for fresh poultry meat beyond what it now produces on its own. Since the broiler production and marketing systems remain at an initial, undeveloped phase, KPEP will provide relevant technical assistance, as well as help in drafting broiler growing contract agreements. It is likely that these outgrower contracts will use the new SEAD mediated standard form contracts including for the first time, effective arbitration clauses. Meanwhile, Konsoni agreed to provide inputs, including extension as part of the outgrower contracts. This will require significant input from KPEP to streamline these processes.

- **Sales will be increased by at least €400,000 by the end of September 2012**

Konsoni saw an 83,269 Euro increase in poultry meat sales between October and December 2011, when compared to the same period a year earlier. If this upward growth trend holds, the benchmark will be met in a timely fashion.

Additional Achievements

MTI selected six KPEP clients to join the agriculture sub group within the ministry's trade-policy working group. The six are: Konsoni, Devolli, Bylmeti, Pestova, Ask Foods and Las Palmas. Pestova owner Bedri Kosumi was elected the group's chairman, charged with presenting the agriculture sector to MTI policy makers.

The MTI, acting on allegations lodged by Konsoni that certain Slovenian poultry meat is being sold in Kosovo at retail prices lower than is the case in its country of origin, requested that Kosovo customs authorities take action. Customs has since increased the custom valuation price for fresh poultry meat imported from Slovenia to Euro 2.07 per kilogram, from an earlier reference price of Euro 1.57 per kilogram.

Challenges

The main challenge consisted of convincing MAFRD to apply incentives on day-olds chicks, and thus encourage outgrowers to invest in broiler-growing facilities. Their budgetary commitments have been made and do not for this year include broiler incentives.

Activities Planned for the Next Quarter

- Refine and sign the broiler growing contracts between Konsoni and outgrowers.

Agriculture: Fruit and Vegetable

Agriculture: Fruit and Vegetable

Objective 1: Increasing value

Benchmarks

- **At least one new vegetable processing company initiates production of processed fruit and vegetable with investment of more than €200,000**

Hosa Fresh is in the midst of ordering a processing line and related equipment to commence vegetable processing during the upcoming season. The Rizona vegetable processing company likewise is bolstering its own processing line. Together, the two companies are on track to invest more than 200,000 Euros, with a concomitant increase in employment.

- **At least 5,000mt of vegetables used in the process industry – up from 2,000 mt in 2011.**

Prizren-based Abi&Elif (ex Progres, following its recent privatization) will recommence vegetable processing in 2012. During a B2B meeting hosted by KPEP in December 2011, Abi&Elif confirmed its interest in purchasing 7,000mt of vegetables for processing. KPEP foresees its remaining involved in facilitating and advising the company on securing raw materials from farmers.

- **At least 10,000 mt of fresh vegetables sold internationally**

KPEP continued to establish links with international buyers interested in importing fresh vegetables from Kosovo. In October, during the Anuga food and beverage fair in Germany, KPEP confirmed Natureta, a Slovenian vegetable processing company, seeks to purchase 1,500 to 2,000mt of peppers. KPEP continues to facilitate sales calls across the region and throughout Europe, with another seven trading/processing companies expected to export more than 10,000mt of fresh vegetables. Interest from a Turkish investor, identified at last year's B2B conference in Izmir, in the pepper processing sector has been indicated and likely to be formalized during Q2 with inbound visit.

- **At least 7 new hectares of greenhouse will be established**

KPEP will likely partially meet this benchmark. In December 2011, KPEP released an RFQ (Request for Quotation) seeking greenhouse construction companies interested in building 100 greenhouse units, each 120 meters square (or 1.2hectares in total) in north Kosovo.

- **At least 75 farmers will receive the Israeli greenhouse package**

This project also partially met this benchmark, with the Gjakova-1 cooperative signing a contract with the Israeli greenhouse supplier in December 2011. The project is meant to realized through CDF funding and Raiffeisen Bank loans. Of the 100 farmers included in the list, Raiffeisen Bank excluded 88 as ineligible for a loan. The 12 farmers deemed eligible will receive greenhouse packages in February 2012. KPEP will provide extension services for these 12 farmers. 1.2 Ha of new technology greenhouse will be established, although much less than anticipated will provide an excellent commercial example for the firm to develop from in 2012.

- **Vegetable production from greenhouse increases by at least 1,000 mt in 2012**

The projected greenhouse capacity available for vegetable cultivation is expected to reach 2.2hectares. That area should allow for the annual production of 200 to 300mt of vegetables.

Challenges

The Israeli greenhouse project represented one of the biggest challenges in Q1. After a one-year involvement in communicating and facilitating for a large group of Kosovo farmers, KPEP succeeded in securing signed contracts for just 12% of the total, due to a variety of factors. One lesson learned is that the involvement of government agencies/ministries, international companies, donors and banks can inhibit communications due to profoundly different ideas of how business is done. The type of greenhouse represented another issue, as most commercial farmers sought a block-type greenhouse instead of the tunnel type that the Israelis offered, even though the latter represented a better price offer. Indeed, the full greenhouse package of 0.1 ha cost 8,230 Euros, with CDF covering 3,000 Euros of that sum with a grant. That left each farmer responsible for 5,230 Euros of the total. This cost still is at least 40% less than currently available technologies so will be a good competing price point in the market.

Activities planned for the next quarter

- Finalize Greenhouse import and establishment
- Facilitate training to new greenhouse operators
- Facilitate field visits for the Turkish investor group
- Develop concrete production programs for processor firms.

Agriculture: Fruit and Vegetable

Objective 2: Increasing Diversity

Benchmarks

- **At least 100 farmers involved in shiitake mushroom cultivation**

In December 2011, KPEP, working in partnership with the YEP project, promoted and presented a cooperative franchising offer from King Mushroom to 120 farmers. That day, 60 of the farmers agreed to deliver compost for the cultivation of shiitake mushrooms for export throughout Europe. KPEP has registered further interest from farmers, with more than 100 in central Kosovo eager to cooperate. KPEP intends to promote this project in north Kosovo as well, beginning in January 2012.

- **At least 5 mt per month of shiitake mushroom produced by the outgrower process**

Nothing to report this quarter.

- **Participating farmers increase gross revenues by at least €4,000 per month during the production season.**

Nothing to report in this quarter.

Activities planned for the next quarter

- Finalize financing model and farmer participation in the Shiitake program.
- Facilitate North Kosovo participation with farmer promotion and contract discussions.
- Oversee signature of franchise contracts between King Mushrooms and franchisees

Agriculture: Fruit and Vegetable

Objective 3: Increasing Productivity

Benchmarks

- **At least 200,000 grafted seedlings sold in 2012.**

Fidanishtja e Godancit presented the KPEP SAF (Strategic Activity Fund) with three offers for the purchase of a robot grafting machine. The machine should arrive in Kosovo from the United States in February 2012, allowing for its immediate entry into service for the grafting of seedlings that may then be planted during the upcoming season.

- **At least 20 new farmers plant locally produced grafted seedlings.**

Nothing to report in this quarter.

- **At least one large fruit/vegetable aggregation center to become operational in 2012, supported by KPEP advisory.**

KPEP has been at the forefront of lobbying the public and private sector for a move to the establishment of at least one large fruit and vegetable aggregation unit in the country. To date, MAFRD has developed designs for 3 units and is in the process of considering procurement options. Additionally, the Elkos group is looking at a facility that will enable it to provide import and local aggregation functions. KPEP is working with this group to develop its options.

Additional Achievements

KPEP participated in Anuga, the world's largest food and beverage fair, forging new contacts and new linkages for Kosovo's agribusiness sector in general and project clients in particular. Based on the successful participation of Ask Foods in the July 2011 Fancy Food Show in Washington, D.C., thanks to the facilitation and support of KPEP, Kelmendi GmbH allowed Ask Foods to display its products at Anuga— a European first for AskFoods. As a result, AskFoods exported the first 100mt of food products through Kelmendi. Further exports are expected. KPEP also discussed with YAPRAK, an agro input supplier, establishing a team of five agronomists who can deliver private extension service to farmers in the field. YAPRAK agreed to start hiring agronomists in February 2012.



KELMENDI GmbH included Ask Foods products in its booth at Anuga, the world's largest food and beverage fair, held in Cologne, Germany in October 2011. Following the fair, Ask Foods exported to Europe its first 100mt of processed fruits and vegetables, thanks to linkages established with KPEP assistance.

KPEP organized a B2B meeting that drew together 30 client companies and agribusiness stakeholders. The 2012 B2B offer from traders and processors exceeds 15,000mt of fruit and vegetable for processing and fresh export.

KPEP discussed with ETC the creation of new linkages for the supply of 3,000 mt of potatoes as well as relying on existing suppliers for the delivery of another 5,000mt of fresh vegetables.

During Q1, the 10th KPEP supported vegetable collection center became operational. To further improve the functioning of previously established collection centers, KPEP, in partnership with NOA, facilitated the participation of five client company representatives in a University of California, Davis-led post-harvest handling technology training. The training, held in Sarajevo, was organized by USAID's RCI project.

Activities planned for the next quarter

- Support Fidanishtja e Godancit to enter the market with grafted seedlings
- Specialist attends post harvest training in Israel and generates and presents hands on training modules for all pack house operators.
- Work with MAFRD to finalize procurement methodology for large aggregation units.
- Develop incentive structure with YAPRAK for their private extension service.

Agriculture: Non Wood Forest Products

Non Wood Forest Products

Objective 1: Increasing value

Benchmarks

- **At least five new firms will acquire HACCP certification.**

The process of HACCP certification for KPEP's five processing company clients is nearing completion. Four of the firms, Besiana, Agro Peti, Scardus and Cooperativa Rogova, have recently received certification. Cooperativa Rogova had problems due to its lack of equipment; however, the situation was resolved relatively quickly by working in corporation with the MD Company to further support the process. The fifth and final company that remains in process is APS. The company is reconstructing its factory and thus still awaits certification. KPEP has stepped up its efforts to help speed completion of the factory work, paying several joint visits to APS with a Sigma Company implementation specialist, M. Lamaxhema. This visit allowed for monitoring and controlling the installation of coolers, storage facilities and dryers and the positioning of those processing machinery elements to ensure all was completed according to plan. Sigma has begun to complete the needed documentation to be ready with implementation once it has completed the bulk of its heavy construction work. At this point, it has pushed back completion of the process to late February.

- **At least 300 collectors will receive training on environmentally sound collection practices**

- **Provide training for NWFP collectors in cooperation with collection centers**

KPEP specialists will implement this planned activity in close cooperation with the processing companies throughout Year 4, with special attention to a new round of trainings to be scheduled for the pre harvest period with follow ups during the harvest season. These trainings will be carried out in conjunction with Municipal Agricultural officers.

- **Cultivated herb production expands by at least 50Ha in 2012**

No progress on this benchmark this quarter.

Additional Achievements

Several attempts have been made to link the products made by major processing companies with local food supply companies. One such link joined APS and Kanun, a firm that intends to supply the local market, including restaurants, bars and pharmacies in Pristina, with herbs, spices and other cooking ingredients.

Challenges

A major challenge faced by almost all processing companies remains the lack of a regional source of expertise. New agronomists rarely if ever specialize in herb cultivation, whether grown conventionally or organically. Moreover, the sector lacks marketing expertise as well as the proper financial management crucial for growing both capacity and sales as the industry grows to its next level. There is interest in sharing the experience of Northern Albanian NWFP cultivators.

Activities Planned for the Next Quarter

- Assist five companies in implementing HACCP in order to start selling certified commodities by the end of Q2.
- Increase efforts to help companies identify suitable specialists who can lend valuable expertise for specific tasks.
- Actively promote farmer interest in cultivated production of NWFP and link this interest with exporters.

Non Wood Forest Products

Objective 2: Increasing Diversity

Benchmarks

- **At least 3 NWFP firms participate in appropriate sector trade fairs**

No significant trade fairs for the NWFP sector were organized during the reporting period.
- **Kosovo exports of NWFP to at least two new markets**

No progress on this benchmark this early in the season.
- **At least 50mt of wild harvest chestnuts exported**

Very poor quality affected this season's output of sweet edible chestnuts, an issue that in turn had a negative impact on plans to deliver initial volumes of the product to EU markets. Nevertheless, Hit Flores has been contracted to deliver next season 300 tons of chestnuts (among other commodities) to the Italo-Hungarian company Frateli . Hit Flores did sell 22 tons of wild harvest chestnuts locally through various supermarket chains.
- **Sales of NWFP increase by at least 25%**

During 2011, Blueberries, one of the major wild collected commodities, fetched prices per kilogram that were almost double what they had been in 2010. In addition, client companies have increased their processing of fruits and vegetables. Hit Flores and the Scardus company have begun processing and selling more raspberries; Eurofruti is doing the same with plums and red peppers; and likewise Fungo FF with an *ajvar*, made of red peppers and mushrooms. Thanks to large investments in the sector, the firms have increased their cold and frozen storage capacities. Market interest is strong, processing and storage capacities have increased and sales are set to grow.
- **Areas of cultivated raspberries increases by at least 10 ha in Shterpce/Strpce and Dragash/Dragas**

After KPEP's successful support of trials of new raspberry varieties in Shterpce/Strpce, and the technical assistance provided to raspberry growers in Dragash/Dragas, the Scardus company will actively start marketing to those local food processors and supermarket chains that already offer fresh fruit. Indeed, some supermarkets have shown

serious interest in selling small packages of fresh, locally grown raspberries. Scardus also arranged to become a bulk supplier to Ask Foods, which produces jams, juices and other products. Interest in expanding the planted area in the two municipalities has been strong and to date some 50 farmers are willing to expand or intensify their plantings in cooperation with KPEP, YEP and the Municipal economy offices. Final hectarage is not yet determined.

Activities Planned for the Next Quarter

- Use KPEP's marketing network in order to initiate value-added raspberries sales in the local market.
- Continue to support APS in the growth and maintenance of its existing business relationships with Martin Bauer Group, Weleda AG, Bionorica AG and others in developing its cultivated NWFP area this season.
- Continue to support Hit Flores in renovations of its new building as well as assist with a business plan that covers the new processing, cooling and storing capacities that the building will bring to the company.
- Provide technical assistance to Fungo FF for new cultivated mushroom trials.

Forestry: *Forests*

Objective 1

Increasing value

Benchmarks

- **Accreditation of the FSC Standard for the Republic of Kosovo by the FSC International Centre Policy and Standard Unit in Bonn, Germany**

During Q1, the FSC's Policy Standard Committee received additional information from the SDG, including a field report template, field Excel sheet, a chronological listing of all activities undertaken during development of the standard and a previously submitted document list. The SDG's application for FSC accreditation, final version 3.1, now awaits approval by the FSC's Policy and Standard Committee, expected by the end of Q3, during its meeting in Bonn, Germany. Separately, USAID/KPEP has written various FSC officials in an effort to speed up the accreditation process. Meanwhile, the Kosovo Forest Agency's (KFA) management board has certified two management units: Koritnik II – Dragash/Dragas and Ahishte–Kaçanik/Kacanik, as well as appointed contact people within KFA headquarters and the KFA directorate.

- **Awarded FM certificates for at least two management units: Ahishte in Kaçanik/Kacanik and Koritnik in Dragash/Dragas.**

Progress on this activity remains on partial hold pending a final FSC decision on the accreditation of Kosovo's FSC standard. During Q1, KPEP continued to offer technical support to MAFRD/KFA, municipal directorates and local communities in applying FSC requirements. By monitoring ground visits to the Ahishte – Kaçanik/Kacanik and Koritnik II – Dragash/Dragas forest management units, KPEP guided management on how to identify gaps in their forest management planning and harvesting techniques and then close them before the pre-audit and main audit begin. In addition, KPEP has ensured that all stakeholders remain informed about how FSC certification can play a useful role in the long-term sustainability of forestry activities, as well as about its myriad other social, ecological and economical benefits.

- **CoC certificate for at least three private wood processing companies issued.**

The CoC Guide for FSC certification has been adapted, printed and presented to AWPK's board members. The guide and other FSC-related documents have been translated and distributed to AWPK members. In addition, board members have received updates on the EU Timber Trade Regulation, which comes into force in 2013. It will prohibit wood processors from introducing harvested timber and timber products into the European market without CoC certification. Applying FSC standards and certification across the forest industry will minimize any negative impacts on small businesses and add value to the overall timber industry. Additionally, KPEP will continue to provide technical support in building local capacity to implement CoC requirements.

Additional Achievements

The KPEP-funded "My Forest" project, designed to raise awareness of the importance of forest preservation and certification, held its final event in Junik. The NGO "Mali" – Suhareka/Suva Reka, the Association of Private Forest Owners "Finchi" – Prizren and "Gjeravica" – Junik, and the Netherland Development Organization (SNV) – Pristina served as project partners. The outdoor education project allowed schoolchildren to learn how forests function, including in mitigating the effects of global warming, as well as their own role in ensuring the protection and sustainability of forests for future generations. The U.S. Ambassador, Junik mayor and MAFRD/Kosovo Forest Agency representatives closed the event by planting chestnut seedlings cultivated by participating schoolchildren. As a follow up, the winners of an essay, drawing and photography contest received gifts.



Schoolchildren from Junik, Dragash/Dragas and Suhareka/Suva Reka join U.S. and Kosovo officials in planting chestnut seedlings the students had cultivated.

KPEP established a new forest maintenance program, through the silviculture treatment of young stands, implemented with the help and support of the “M&A” NGO in Leposaviq/Leposavic. The project allows the local community to access new sources of income, as well as increase their own knowledge of proper forest maintenance techniques. The program is being implemented across 163 hectares of forest, split among 12 locations in three management units (Jarik-Belo Brdo, Berdije Letine and Dobro Brdo Lokve). Despite working under difficult circumstances, the project has completed the upgrading of 128 hectares, or 80% of the total, generating 429 cubic meters of firewood, later provided to 100 households. In all, the project has generated 3,968 workdays.

All involved groups believe treating another 47,000 hectares of young stands in public forests across Kosovo could provide ample short-term employment opportunities in rural areas. The effort could also benefit households by providing fuel for heating and cooking; much of that wood otherwise would be lost. Moreover, the effort would have a much-needed positive impact on overall forest health, by increasing production, reducing rotation periods and stemming illegal woodcutting.



The foreground shows a treated forest area, with untreated forest visible in the background.

- KPEP actively engaged during Q1 in presenting the achievements of the FSC standard development and forest certification processes, by sharing information with those groups and donors active in forestry (SIDA, SNV, FAO, EU, Finnish and Norwegian missions). The project presented the benefits of a managed forest and explained how forest certification and forest sustainability increases the value and quantity of the timber available to the wood processing industry.

Challenges

- Delays in a final decision from the FSC's Policy and Standard Committee.
- Lack of commitment among forestry institutions to improve the quality of planning and harvesting techniques and to meet FSC requirements on forest management operations required to identify and close gaps before beginning the pre-audit and main audit.

Activities Planned for the Next Quarter

- Continue to work on accreditation of the FSC Standard for Kosovo by the Policy and FSC's Policy and Standard Committee.
- Continue to provide technical support to the Kosovo Forest Agency and various municipal forest authorities in meeting FSC requirements for the preparation of selected

management units for pre-audit and main audit as well as FSC forest certification for Ahishte – Kaqanik/Kacanik and Koritnik II – Dragash/Dragas.

- Continue to work with AWPK in identifying at least three private wood processing companies for CoC certification.
- Continue to participate in Forest Management Board.
- Raise the profile of the outcomes of the forest thinning program for presentation through appropriate sources.

Forestry: Wood Processing

Wood Processing

Objective 1: Increasing value

Benchmarks

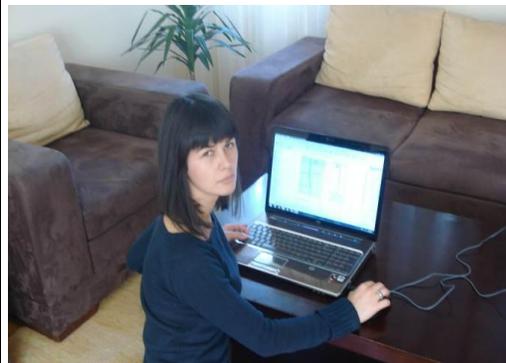
- **At least 10 marketing and furniture design interns placed.**

Sixteen wood processing companies engaged 39 interns, with 32 going on to secure full-time jobs (82%). Marking the program's further success, seven of the firms have created 10 additional jobs. This is a *critical achievement* in that new positions have been created as a result of the firm's ability to see the benefits attached to the activities of the interns in positions not previously considered necessary by the firms.

AWPK implemented the program, with the assistance of KPEP staff and its SAF component. Of the more than 20 companies interviewed, 16 agreed to participate in the project. AWPK broadly publicized the internship program, as well as established its application and other standards. The program drew applications from 88 prospective interns vying for 50 potential positions. Interviews led to the selection of 39 interns placed with 16 wood processing companies. There, the interns received general skills training, as well as a special five-day, KPEP-organized training for 15 interns engaged in marketing or design – these being the new positions for most of the firms.



Intern engaged in chair manufacturing



Architect intern engaged in sofa design

Given the positive results this activity has generated, and especially in the areas of new position creation, KPEP plans to repeat it for a further 10 interns engaged in design and marketing specifically. The activity is foreseen to take place in Q3.

- **AWPK prepares and presents industry position including biomass to at least two commercial banks.**

This activity is foreseen to take place in Q2

- **AWPK implements the furniture design competition.**

This activity is foreseen to take place in Q3.

- **AWPK Annual Plan developed and implemented.**

AWPK has developed its annual operation plan. KPEP held several meetings with AWPK members and board members to discuss multiple ideas. AWPK will be engaged in industry promotional activities, including exhibiting at the Skopje and Tirana furniture fairs, as well as organizing the traditional Natyra fair in Pristina. AWPK will be engaged in implementing the internship program and the furniture design competition project.

Additional Achievements

KPEP has continued to support the promotion of Kosovo's wood processing industry abroad, introducing during Q1 several opportunities to the industry. Through AWPK, KPEP supported 11 wood processors in setting up a 500 square meter exhibit of their products at the Albrelax furniture fair in Tirana. Participation resulted in immediate sales worth more than 200,000 Euros.

The international contract furniture supplier Castlebrook visited three companies in Kosovo, positively assessing two of them for further cooperation. KPEP also introduced 12 beech wood processors to the German importer Relita, while Hilmi Deva delivered its first 50 children's bedroom sets into the export market.

AWPK has become a full member of the European Federation of Furniture Manufacturers (UEA), as of the Nov. 10 meeting of the federation's general council in Tallinn, Estonia. Gaining such international recognition as Kosovo's legitimate wood industry representative fulfills one of the goals of AWPK's strategic plan—something KPEP has spent three years engaged in pursuing.

Activities planned for the Next Quarter

- Support AWPK on implementing its annual operational plan, and exhibiting at Mebel, the Skopje furniture and wood processing fair.
- KPEP will support a Kosovo flooring manufacturer at the Swissbau trade fair in Basel.
- Wood processing industry position will be introduced to commercial banks in an effort to improve the financial sector's appreciation of changes in the industry and opportunities to grow their markets in this sector.
- Internship and furniture design program will be implemented.

Wood Processing Industry

Objective 2: Improving productivity

Benchmarks

- **At least two firms produce products that meet EN or other internationally recognized standards.**

Children's bedrooms produced by the Hilmi Deva company must comply with DIN (German standards). The German importer Relita conducted the necessary tests and now has approval to import Hilmi Deva products confirming that they now meet the exacting standards of this market.

- **At least two biomass producing firms increase production capacity.**

KPEP had worked with the Lean company to create an investment plan in order to start producing wood pellets. The plan gained the approval of CDF, under its grant scheme. With KPEP support, Lean chose which machinery to purchase. KPEP's initiative also led the companies Korenica and Mebelstill to purchase briquette presses, which will allow both firms to use the sawdust they generate to produce briquettes.

Additional Achievements

Growing manufacturing capacity, improving product quality and increasing efficiency will increase the overall competitiveness of the industry. To this end, the industry requires investments in equipment and in the overall manufacturing process. KPEP has supported the Ahikos company in determining its equipment investment strategy. Through various leveraging activities, KPEP supported the Dekra company in gaining support from the Tam-Bas project, providing it access to the funds needed to set up and improve the company's marketing tools. KPEP also supported the Aring company in securing a CDF grant to purchase a four-side moulder needed to expand its product range.

Activities Planned for the Next Quarter

- Work with the Lean company on setting up its pellet manufacturing plant.
- Work with AWPK and WIFI Austria on developing and implementing a CNC training program.

Construction: Road

Objective 1

Improving productivity

Benchmarks

- **A second round of certification on road design is made available for new Kosovo engineers and offered to:**
- **At least 20 Road Infrastructure – Master Students (new accredited curriculum at the University of Pristina).**
- **At least five technical government staff (MTT).**
- **At least 10 post-graduate students from the Faculty of Civil Engineering. (Not achieved)**

The University of Pristina is unable to finance a second round of the road design certification course conducted by lecturers from the Texas Transportation Institute (TTI). Nor is the dean of civil engineering, Naser Kabashi, interested in a system where students would pay the tuition costs for the second round. He aims to have support for three rounds overall in order to make this course sustainable within his faculty.

KPEP then renegotiated the price of the project with TTI. The new price would be \$40,000, or less than the cost of the first round course.

The problem still lies in finding an interested donor. So far, there has been no progress on fundraising. The Ministry of Infrastructure (MI) initially showed some interest in supporting the activity but has not made its final position clear.

Activities planned for the next quarter

KPEP will take final, further efforts in this direction during Q2.

- **Develop a sustainable and operational plan for the welders training center.**
KPEP plans to conduct this activity during Q2.

- **At least 20 new welding operators trained and certified.**

In order to quickly leverage the cooperation of the Ministry of Labor and Social welfare during the first round of the welders training program, KPEP recruited 14 people through the ministry's municipal centers. While in general those selected were both unskilled and unemployed, KPEP trained and certified all 14.

Additional achievements

KPEP engaged the Ministry of Labor and Social Welfare, as well as provided assistance in creating and establishing the Kosovo Welders Association.

Activities planned for the next quarter

Conduct the second round of the training during Q2.

- At least 70% of unemployed trained students placed in welding firms.
KPEP plans to conduct this activity during Q2.
- Local accreditation of welders training program completed. KPEP completed this activity with the KEK training center's receiving local accreditation from the Ministry of Education's Center of Competency.
- Develop sustainable and operational plan for HEOTC. KPEP provided assistance to the KEK training center to develop a sustainable operational plan and an annual operational schedule.

Activities planned for the next quarter

KPEP will engage HeviCert Inc. to perform quality assurance tests for the Heavy Equipment Operators Training program and, at the same time, implement a quality assurance system within the training center.

- At least 100 new HEOTC operators trained and certified.
KPEP plans to conduct this activity during Q2.

KPEP planned to engage the Ministry of Labor and Social Welfare and procure heavy equipment operator training services from KEK for 70 unemployed and unskilled persons. However, the ministry has been slow to move on this activity, prolonging its implementation.

- At least 70% of unemployed trained students placed with firms.
This benchmark will be met during Q3.
- Local accreditation of HEOTC training program completed.
This benchmark will be met during Q2.

Construction: Materials

Objective 1

Increasing value

Benchmarks

- **Business plan prepared for the temporary MESP board on how to implement the recently approved Administrative Instruction.**

The temporary board nominated by the minister started work during Q1 on implementing the new Administrative Instruction on the professional licensing of architects and engineers.

The temporary MESP board has so far accomplished some of its first implementation tasks. The board has finalized the procedural rules for the board members and the commission examiners. After receiving final feedback from a UK-based STTA, both documents stand ready for approval by the minister.

- **Documents finalized establishing the procedures for the examinations (documentary administration and examination tribunals).**

In progress, to be finished in Q2

- **Documents finalized establishing the principles of the examinations. (Achieved)**

The principles of the examinations have been defined. The UK-based STTA provided final guidance on this topic.

The Examination process and licensing for architects and engineers was developed in cooperation with the STTA from UK, who presented the Board with samples of documents, which were reviewed and approved by the Board, in order to produce: The Application process for examination; The Examination; The Application for Licensing.

- **Examinations drafted**

The STTA advisor, in cooperation with board members, will draft the first examinations during Q2.

- **First licensing cycle for the first group of Architects and Engineers conducted.**

To be achieved in the last phase of the project, most likely late in Q3 or Q4

- **Chambers of Architects and Engineers formed.**

To be achieved in the last phase of the project, most likely late in Q3 or Q4

- **Study report on outsourcing opportunities for architectural and engineering companies. (In progress to be achieved)**

KPEP's construction specialist has gathered data on outsourcing opportunities that would link companies based in developed countries with architectural and engineering companies in Kosovo. Research is ongoing. So far, KPEP has interviewed the owners of four architectural and engineering companies.

- **Technical assistance for production processes and product quality improvements provided to targeted firms.**

Although KPEP specialists spend a lot of time discussing improving product quality during project visits to client sites, the project has no considerable improvements to report. This project will continue this activity over the next three quarters.

- **Completion of product certification requirements initiated with the targeted firms.**

Vinex, with the support of the EBRD's TAMBAS project, engaged a Slovenian consultant, Janez Furlan, to identify all requirements needed to certify its guardrails against EN standards. The report, shared with KPEP as well, found that the certification, including crash testing in France and final certification in Slovenia, would cost 51,000 Euros. KPEP seeks other donors interested in supporting product certification. Given the large investments that Vinex has made in setting up its production line, it remains unready to invest in certification, despite its urgent business implications.

Furthermore, the Ferplast pipe company in Ferizaj/Urosevac, through the support of KPEP, has received all product certification requirements as prepared by a Vienna-based standards company.

Additional achievements

In November, KPEP signed a Memorandum of Understanding with the Kosovo Chamber of Commerce (KCC). KPEP and KCC aim to cooperate in increasing employment, sales, exports, import substitution and investments in targeted private sector firms.

Kosovo lacks accredited testing and certifying bodies for the international certification of construction materials. Pursuing product certification in EU countries proves expensive and time consuming, putting local companies at a disadvantage, since without certification it precludes their participating in public projects and exporting to other countries in the region. Furthermore, they are losing opportunities in reaching public sector markets created by international donors. The memorandum has two aspects: The first articulates Kosovo's strategy in solving product certification problems with regards to construction materials and agriculture/food processing industries. The second addresses KCC's need to redesign its website, including the integration of Serbian-language materials. KPEP will support the website activity by offering the services of a local provider.

Activities planned for Q2

Public promotion of the new KCC website with the support of KPEP will be held in February.

- Assistance on technical data preparation provided to the targeted firms. (In progress)
KPEP is advising Inox, a stainless steel processing company based in Pristina, on providing better technical data to its clients. The approach is the same KPEP uses with its own clients.
- Brickos is assisted in launching the new line. (In progress to be achieved)
Brickos is working to finalize by the end of Q2 the investment to be cost shared with KPEP. The new line will double production, increase sales by 1,000,000 EUR and will create 25 to 30 permanent jobs.
- Vinex is assisted in launching new products. (Achieved)
On Oct. 20, Vinex launched its newest product. KPEP supported Vinex on a cost-share basis with its guardrail production investment.

The ceremony, which drew several government ministers and other dignitaries, marked Vinex's debut as the sole producer of guardrails, not only in Kosovo but in the region as well. Vinex still requires certification before entering the marketplace.



The inauguration of Vinex's new guardrail production line, Oct. 20, 2011.

- Rizam is assisted in establishing and operating its new quality control laboratory. (Achieved)

The Rizam Company, through KPEP's support, established an internal quality control laboratory. KPEP financed the most essential instruments required for the lab.

Additional Achievements

Rizam also participated in an investment forum, held in Izmir, Turkey on Sept. 20-23, 2011, through the support of KPEP and the Investment Promotion Agency of Kosovo (IPAK). Rizam reported forging new contacts.

Activities Planned for the Next Quarter

Inauguration ceremony for the new quality control laboratory slated to take place Jan. 31.

Objective 2

Increasing diversity

Benchmarks

- **At least 2 firms participate in one regional/international product fair. (*Achieved*)**

KPEP cooperated with IPAK in organizing a Kosovo delegation to participate in MADE expo, the major architecture, building materials and construction trade fair held in Milan Oct. 5-8. The delegation included representatives from the following six Kosovo-based construction materials and architectural-engineering firms: Brickos, Inox, GM architecture, Gacaferi, MADEN and IPN. KPEP assisted the firms' participation to facilitate their finding potential partners as well as learn more about the latest products and services in the construction industry, including those that they could produce domestically. Attendance led to multiple meetings between the Kosovo firms and a variety of international companies to discuss possible business opportunities.



The Kosovo delegation with representatives of MADE expo's organizer, the industry group FederlegnoArredo, in Milan, Italy



Some MADE expo booths

- **At least one firm introduces a new product line into the import substitution market.**
(Achieved)

Vinex launched sales of its guardrail, selling 500 linear meters of the yet-uncertified product to the road construction company Bejta Commerce.

Challenges

Once Vinex can certify its guardrails according to the standard EN 1317 1:2010 (E), it will be able to substantially substitute imports of this product. (KPEP estimates an import substitution rate of 50% to 70%.)

Objective 3

Improving productivity

Benchmarks

- **At least 5 manufacturers increase market share for their product range.**

KPEP clients including Rizam, Brickos, Ferplast and Vinex, have increased their market share.

The benchmark will be achieved by the end of Q4.

- **5 clients benefiting from KPEP internal consultant resources.**

KPEP is providing advisory consulting services to Inox, a stainless steel processing company,

and to Onyx, a marble and granite processing company. The benchmark will be achieved by the end of Q4.

- **At least €1,000,000 in increased sales amongst assisted firms.**

This benchmark will be met during Q2 and Q3.

- **At least 20 new jobs created within assisted firms**

This benchmark will be met during Q2 and Q3.

- **At least 2 firms export a product to a new market**

This benchmark will be met during Q2 and Q3.

- **At least 2 firms develop new products.**

The new Brickos production line enabled it to debut two new clay products on the market. The

benchmark will be achieved by the end of Q4.

Information Communication Technology (ICT)

Objective 1

Increasing Value

Benchmarks

- **At least one company invests in Kosovo's BPO sector**

KPEP supported Baruti, a Swiss-based service and contact center, to enter business in Kosovo. Baruti invested in Kosovo by purchasing contact center equipment and furniture for its office in Pristina. Baruti is expected to kick off its first project in Kosovo on January 23. To do so, Baruti initially is hiring 12 market researchers to work for a German client.

KPEP continued to work with Indian BPO companies that have expressed interest in investing in Kosovo.

- **At least two Kosovo companies attend the Call Center World trade fair to establish contacts**

KPEP signed a Memorandum of Understanding with the Investment Promotion Agency of Kosovo to implement various joint projects to promote BPO investment in Kosovo. One of the activities outlined in the Memorandum of Understanding calls for supporting Kosovo firms in attending Call Center World in Berlin. Indeed, two KPEP clients have expressed interest in attending the trade fair in Q2. KPEP will contribute 3,000 Euros, while leveraging another 5,000 Euros in IPAK funds, to sponsor a trade booth for Kosovo's ICT firms.

- **One content product that presents Kosovo outsourcing companies is developed**

According to the IPAK Memorandum of Understanding, KPEP will cost-share the development of a web portal to present Kosovo's outsourcing companies, as well as promote various business opportunities in the sector. KPEP has leveraged IPAK funds (50% cost share) to implement this project.

- **At least two initiatives that promote Kosovo as a near-shore destination to regional BPO companies and one initiative in EU countries**

Under the IPAK Memorandum of Understanding, KPEP will work together with the agency to undertake an investment promotion campaign aimed at attracting regional and EU BPO firms. In Q1, KPEP developed an email campaign for IPAK that will be used to promote Kosovo as an outsourcing destination to regional BPO firms. Furthermore, KPEP has developed a contact list of regional BPO firms to target during the investment promotion campaign.

- **At least two companies receive marketing support for the CeBIT trade show**

In December 2011, KPEP held a trade show-marketing workshop for three Kosovo ICT firms (Adaptivit, Dataprognnet and Frakton) slated to attend the CeBIT trade show in Hannover, Germany. This activity formed part of a joint project KPEP is conducting with the Swiss Import Promotion Program and Kosovo ICT association STIKK. The Swiss Import Promotion Program and STIKK will cover most of the cost associated with CeBIT participation, including trade show booth costs.

- **At least one company receives investment from a local or foreign investor**

One KPEP client anticipated receiving an equity investment from a Dutch ICT firm but talks failed after the parties failed to reach an agreement. The Kosovo ICT firm now seeks other interested investors; KPEP will continue to support the company in identifying a suitable investor.

Additional Achievements

- KPEP secured substantial leveraging from domestic and international partner donors and organizations to implement those activities detailed in KPEP's Year 4 workplan. IPAK agreed to commit more than half of the required resources for promoting investments in the BPO activity. The Innovation Center Kosovo, managed by the Athene Project and funded by the Norwegian government, supported mobile app development training with equipment worth close to 10,000 Euros.

Challenges

- Kosovo's international image with foreign investors continues to prove to be an obstacle to attracting foreign direct investment.

Activities Planned for the Next Quarter

- Identify and attract foreign investment in BPO business.
- Participation in the Call Center World Fair in Berlin.
- Promote outsourcing throughout Europe.
- Support ICT firms with trade fair marketing through the CeBIT trade show and promote Kosovo as an outsourcing destination.

Objective 2

Increasing diversity

- **At least 15 individuals are trained in new training programs**

KPEP initiated a hands-on training program in cooperation with Sprigs, a Dutch ICT firm with a software development office in Kosovo, and the Innovation Center Kosovo, managed by the Athene Project and sponsored by the Norwegian government. The program resulted in 10 young developers completing hands-on training in how to develop mobile apps for Google's Android operating system, the leading platform for the rapidly growing smart phone and tablet markets.

KPEP supported Tekfuze, a local ICT firm, in training 17 students who have completed or are nearing completion of their studies in electrical engineering at universities in Kosovo. The training took place at Genesis Technology Center, a local non-profit that specializes in training to gain practical, hands-on skills in electronics design, manufacturing, embedded systems development and robotics. This training and internship program will provide local engineers with practical experience in developing and manufacturing embedded control systems. Tekfuze plans to develop and manufacture products mainly for clients abroad.

KPEP supported Adaptivit, another local ICT firm, in implementing an internship and training program for five new hires slated to work on a new project with a Danish partner company. Adaptivit will provide IT support services for the Danish ICT firm, which specializes in GIS-based software products and services.

KPEP and STIKK, with the support of the International Finance Corporation (part of the World Bank Group), organized a three-day comprehensive, combined course that provided hands-on training on Information Security Management Systems (ISMS) for the ICT sector. The course enabled the participants with the knowledge and skills required for ISMS, as well as the processes involved in establishing, implementing, operating, monitoring, reviewing and improving ISMS, as defined in ISO/IEC. The course provided participants with knowledge in areas such as: the ISO/IEC 27001 standard, concept and guidelines, recognize-the-risk management approach; the interrelationship of ISO/IEC 27001 and other standards such as ISO 27002, ISO 27006, ISO 19011 and ISO/IEC TR 18044; incident management and business continuity management in ISMS; principles of audit management; audit planning, organization and implementation; performing an audit (with practical workshop); managing non-conformity

reports; managing audit reporting and the understanding of competences, roles and certification of auditors.

In Q1, KPEP organized a certification ceremony to mark the independently accredited certification by the International Register of Certificated Auditors (IRCA) of the 15 participants who successfully passed the certification exam.

- **At least one new electronic device product is developed or manufactured in Kosovo**

KPEP is supporting Tekfuze, a local firm specialized in electronic product development and manufacturing, with a training and internship program for engineering students and graduates. Participants of the training and internship program worked on a redesign of a product for RadioContact, LTD, based in Northern Ireland (www.radcon.com). In Q2, Tekfuze plans to engage the newly hired engineers in the production of electronic products for a client in Macedonia.

- **One new venture begins exporting services to foreign markets**

Baruti, the contact and service center, will start providing market research services for a German client. As of January 23, Baruti plans to employ 12 German speakers to conduct market research over the telephone with respondents in Germany. In the meantime, Baruti is in talks with several other research firms about another potential project.

Additional Achievements

KPEP supported the establishment of the Innovation Center Kosovo by providing resources for its initial activity, Prishtina Startup Weekend, used to recruit the first ICT startups to the business incubator. KPEP designated a consultant to serve as mentor for teams working on their business ideas and awarded the three winners of the Prishtina Startup Weekend competition with 80 hours of free consulting.

Activities Planned for the Next Quarter

- Support the design or manufacturing of electronic devices through the Genesis Technology Center Kosovo.
- Support new ventures oriented toward exporting services to foreign markets.
- Support new varieties of training programs and certifications that facilitate export of ICT services.

Objective 3

Improving productivity

- **At least one initiative to improve university curricula**

No activity this quarter.

- **30 Interns are placed in ICT firms**

During Q1, KPEP assisted STIKK in developing a questionnaire to define the common training needs of those members interested in hiring summer interns. STIKK will survey its members at the beginning of Q2. The results of the survey will serve to identify the specific training courses that would be helpful in increasing the employability of interns and in filling in the gaps between university curricula and job market needs.

- **At least 30 people are trained in various training and certification programs**

10 received training in mobile app development for Android-based smart phones and tablets.

17 people received an intensive hands-on training on the development and manufacturing of electronic devices.

5 people received trained on product support for a Danish company that specializes in GIS-based software and services.

17 people received trained on Information Security Management Systems, of whom 15 received accredited certification by the International Register of Certificated Auditors (IRCA).

Activities Planned for the Next Quarter

- ICT internship.
- Subsidize training and certification programs.

Tourism

Objective 1

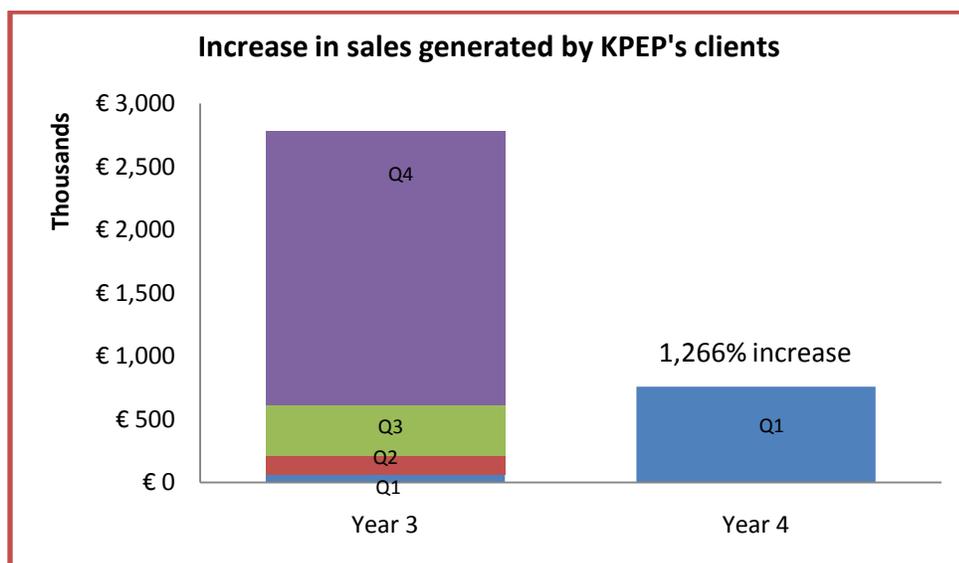
Increasing Diversity

Benchmarks

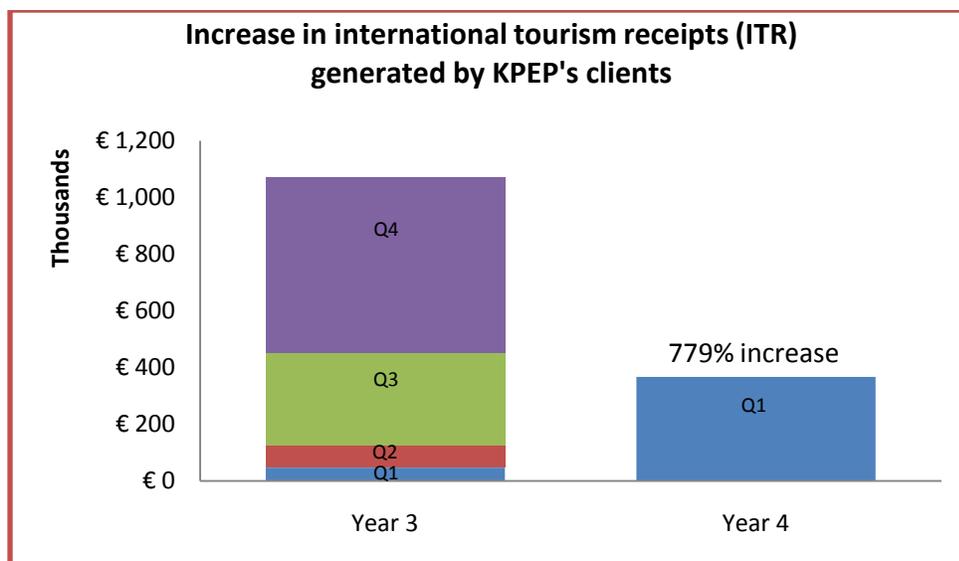
- **At least a 300% sales increase generated by KPEP clients (over 2010 performance).**
- **At least a 100% increase in international tourism receipts (ITRs)¹ generated by KPEP clients (over 2010 performance).**

KPEP clients reported in Q1 a 1,266% increase in sales over the same period in 2011.

International tourism receipts (ITRs) had a direct impact, with an increase of 779% over the same quarter in Year 3 (see graphs below).



¹ ITRs represent in economic terms a country's receipts in the form of consumption expenditures or payments for goods and services that foreign visitors make out of foreign currency resources.



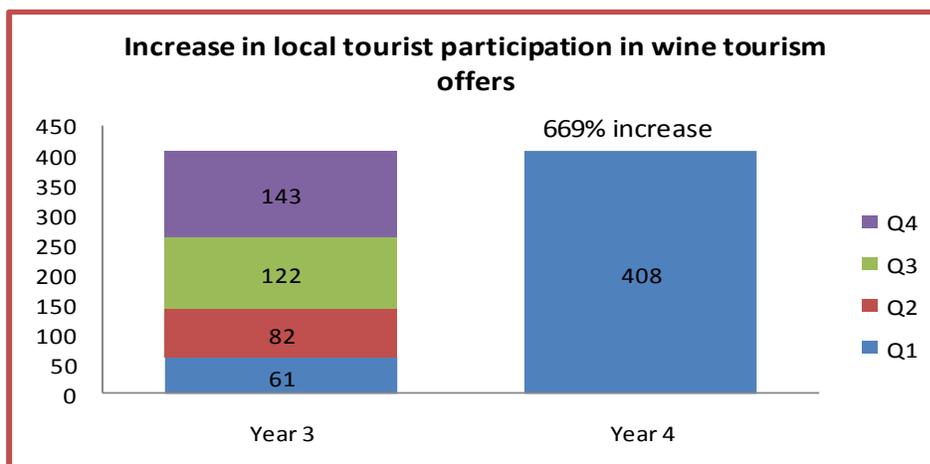
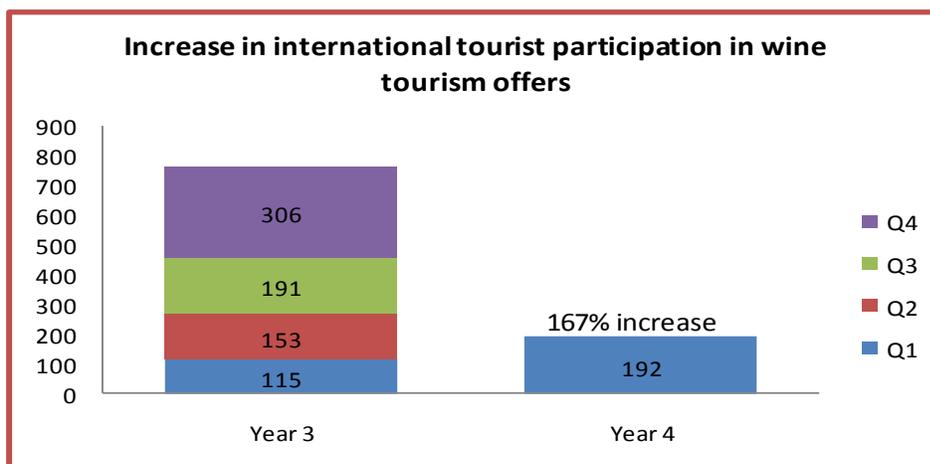
KPEP clients achieved this success partly through the project's support of the Kosovo Alternative Tourism Association (KATA) in providing marketing and promotion services to its members, and partly through KPEP's participation in promoting the Western Balkans as a unified tourism destination, through USAID's Regional Competitiveness Initiative (RCI).

KATA's major promotional activity during Q1 involved its participation in the Travel Turkey Izmir fair, held December 8-11, supported by KPEP and IPAK. Twelve tourism companies, along with the municipalities of Pristina, Peja/Pec and Rahovec/Orahovac used the opportunity to promote their tourism products, emphasizing multi-country tours (Albania-Macedonia-Kosovo) and attractions to the Turkish market.

Another important, KPEP-supported marketing activity is the Western Balkans Geotourism Map Guide (WBGMG). USAID's Regional Competitiveness Initiative is coordinating this activity, with the National Geographic Map Division doing the actual implementation (for in-depth details, see in the Q3 and Q4 reports for 2011). The guide will help integrate Kosovo in regional marketing initiatives, packaging it alongside the other participating countries across the western Balkans. The map guide is slated for launch in February. It will promote 50 tourism attractions within Kosovo. KPEP expects the WBGMG will lead to a further increase in ITRs.

- **At least a 50% increase in international tourist participation in wine tourism offers (over 2010 performance).**

KPEP's focus over Q1 involved looking at opportunities to synergize efforts with other donors in order to continue implementing the two-year action plan that stemmed from the Wine Tourism Strategy for the Rahovec/Orahovac region. The return on KPEP's investment last year in building tourism-related infrastructure and facilities, as well the initiatives undertaken independently by the private sector to increase the diversity of tourist offers, led to a multiple of 167% (or a 67% increase) in international tourist participation in wine tourism offers over Q1 in Year 3, and a multiple of 669% (569% increase) in local tourist participation.



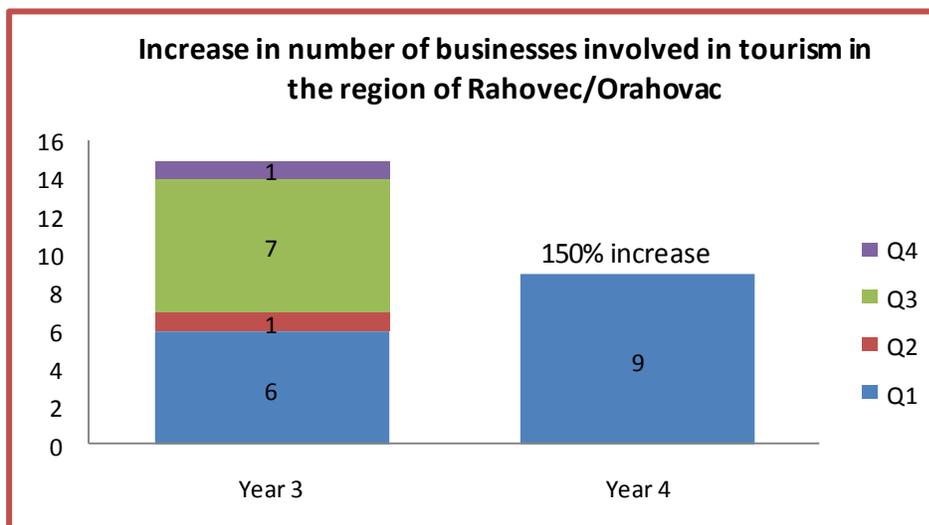
The largest group of international tourists to experience a wine tourism offer consisted of a group of 50 visitors from Hungary. The two-day itinerary, developed and managed by KosovoGuide with the Hungarian travel agency Huszty, included a wine-tasting tour of the Rahovec/Orahovac region. Huszty produced a video for prospective Hungarian tourists on Kosovo's tourism attractions, including wine destinations in the Rahovec/Orahovac region.

In order to further enhance PR and other media-related actions, KPEP helped the Iliria cellar (part of the Bio Pak company) to organize the first “Wine Weekend” for the international community in Kosovo. The event attracted the coverage of two local TV stations, RTK and TV21, helping further publicize the region’s potential as Kosovo’s leading wine destination.

Further KPEP efforts and engagements on promoting wine tourism included the project’s encouraging a private event company based in Pristina, Noble LLC, to organize in cooperation with KosovoGuide a happy hour wine-tasting event that featured wines made by the Daka family as well as local cheeses from the Rugova mountains. The event attracted 15 attendees, drawn from the Swiss embassy and OSCE. The activity also generated new business for the Daka winery, which will furnish Pristina’s Hotel Silver, as well as two hotels in Albania, with its wines.

KPEP also identified a high-profile leveraging opportunity, - the Wine Route South Kosovo project being funded by European Commission Liaison Office (ECLO) in the amount of €297,000. Project implementation should begin in January and cover three municipalities in southern Kosovo (Suhareka/Suva Reka, Malisheva/Malisevo, and Rahovec/Orahovac).

- **At least a 50% increase in the number of small businesses involved in tourism in the targeted region of Rahovec/Orahovac (over 2010 performance).**



The tourism awareness campaign launched by the municipality of Rahovec/Orahovac in Year 3/Q4, with KPEP support, aimed to encourage the local community to launch businesses and other activities linked to its potential as a wine destination. While general awareness

campaigns are slower to show their effects, KPEP's investment has already become to produce real results. As of Q1, nine new small businesses were involved in tourism in the targeted region of Rahovec/Orahovac, representing a multiplier of 150% (50% increase) over the performance of Q1/Year 3. The businesses include the Bozidar Petrovic family winery and Decansko Vino of Father Marko, both in Hoça e Madhe/Velika Hoca.

- **Establish at least 5 new Bed & Breakfast (B&B) facilities in the Rahovec/Orahovac region.**

KPEP, as part its strategy to leverage the financial assistance of other partners, conducted research to reveal that most donor projects, as well the Ministry of Agriculture, Forestry and Rural Development, do anticipate the B&B industry to develop in Kosovo as a complement to the growth of rural/agro-tourism. KPEP will commission in Q2 a study on “Development Planning for Rural Tourism and a B&B Network in West and South Kosovo” by targeting the small urban regions of Rahovec/Orahovac in the south and Gjakova/Djakovica in the west of Kosovo, which represent a suitable combination of the different forms of rural tourism development that showcase genuine rural life (wine, vineyards, farms), culture (authentic foods), and heritage (old houses).

Additional Achievements

- Cooperation with the ECLO-funded project, “Southern Region of Kosovo—The New Tourism Destination.” The staff of the Tourism Information Center in Rahovec/Orahovac took part in the tour guide training organized by this project. The same project will fund the exhibition area for handicrafts during the Western Balkans Tourism Fair in Tirana, Albania, to be held in May.
- Cooperation with the EBRD's TAM-BAS project. As result, three tourism businesses (Hotel Qarshija e Jupave, Rudi Group, and Daka Winery) previously nominated for inclusion in the Western Balkans Geotourism Map Guide will receive funds to advance their branding performance.
- Cooperation with Institute Riinvest and Intercooperation, which are implementing the Horticulture Promotion in Kosovo (HPK) project, funded by the Swiss Agency for Development and Cooperation (SDC). As result, the program is working on branding grapes and wine from Rahovec/Orahovac to enable their access to local and international markets.

- KPEP aided KosovoGuide in hosting a delegation of 10 representatives from Pegasus Airlines, a Turkish low-cost carrier that recently entered the Kosovo market. The group included two Turkish journalists who went on to write an article for the travel section of Hurriyet, a Turkish daily newspaper www.hurriyet.com.tr/seyahat about Kosovo's economic and tourism development.

Challenges

As part of its overall leveraging strategy, the project anticipated that the German Organization for Technical Cooperation (GIZ) would commit to engage international consultant expertise in supporting the development of wine tourism-related products, as well the development of a wine tourism brochure useful as a sales guide that KPEP could support in producing on a cost-share basis with the private sector and/or other donors. GIZ has experienced delays in engaging the international expertise, affecting in turn the forward agenda on wine tourism development, including initiatives led by KPEP, municipalities and the private sector. For this reason, KPEP will seek alternative solutions within the ECLO Wine Route South Kosovo project.

Activities Planned for the Next Quarter

- Assist KATA on preparatory work ahead of the Western Balkans Tourism Fair to be held in May in Tirana, Albania, on a cost-share basis with companies and in cooperation with the Ministry of Trade and Industry.
- Final work on National Geographic Western Balkans Geotourism Map Guide and respective promotion at various tourism events in order to enhance PR and media coverage.
- February 2-3, private sector meeting, coordinated by RCI, to bring together tour operators from the regional to create the Regional Tourism Business Network and begin developing regional tours/routes that can be jointly promoted and sold.
- Start with wine tourism trainings, implemented by IP Center Austria.
- Assign a local consultant to develop a study on "Development Planning of Rural Tourism and B&B Network in West and South Kosovo."
- Assign a local consultant to map wine routes in the Rahovec/Orahovac region. This assignment will generate materials useful for the design, production and placement of signposting on a leveraged basis with the ECLO-funded Wine Route South Kosovo project.

KPEP worked with IP Center, one of the leading firms in the Austrian training market, to develop a well-tailored training program to meet the most crucial skill needs. Implementation of this training program should start in Q2.

Recycling

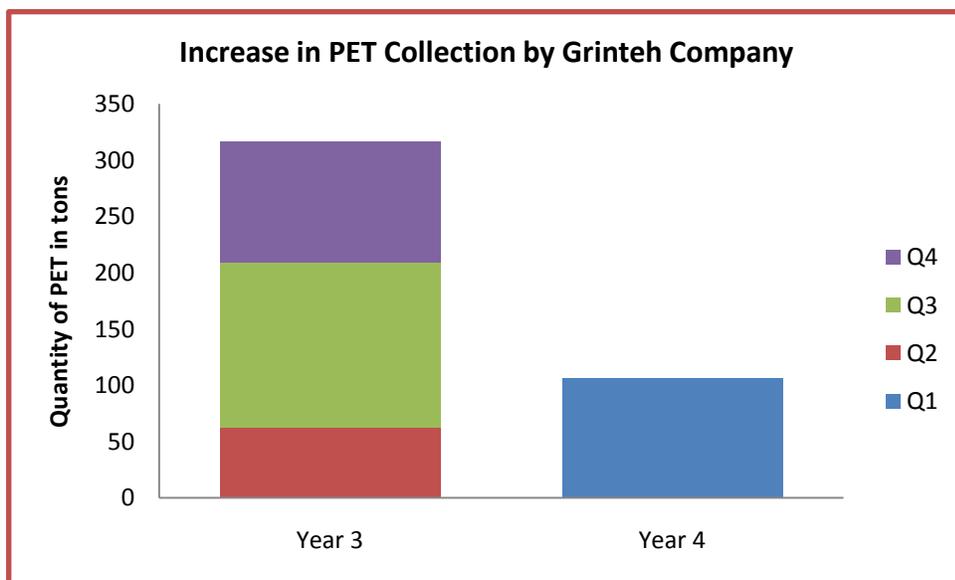
Objective 1

Increasing Diversity

Benchmarks

- **At least three companies involved in the Going Blue initiative in Rahovec/Orahovac.**
No initiatives in this quarter
- **Grinteh expands its PET collection by at least 25%.**

The Grinteh Company began collecting PET in Year 3/Q2, assisted by a KPEP grant. For that reason, it is still too early to draw any conclusions about its performance on a year-to-year basis. However, the graph below reflects positive performance during Year 3 and into Q1 of Year 4; these results mean KPEP will reach the benchmark in coming months.



Activities Planned for Next Quarter

Launch the tourism-recycling activity in Rahovec/Orahovac municipality by introducing the concept of *Businesses are Going Blue*, and in close cooperation with the recycling company Grinteh.

Component 2: Business Support Services (BSS)

Objective 1

Improving productivity

Benchmarks

Consultant's association

- **Developing products and services for members**
- **Raising revenues from products and services**
- **Deliver ADI assessment report to the client**
- **Communicating effectively with members**
- **Integrate Business Consultants' Association in ADI index.**
- **At least one new member service to be provided.**
- **Apply for ICMCI for international recognized standards**

All above benchmarks will be addressed during Q3.

Advocacy Strategy

- **At least one workshop regarding advocacy and association lobbying.**
- **At least two position papers to be developed by sector specific associations.**

KPEP will report the advocacy and association lobbying workshop in Q2, following its implementation. The project has so far decided to implement this activity in collaboration with the Business Enabling Environment component within KPEP. The tentative date for the workshop is February 22. In addition, KPEP has prepared two position papers for distribution among the association members at the workshop. Guest speakers from STIKK and the American Chamber of Commerce will share their success stories of lobbying on behalf of their members.

Associations:

- All association clients receive Year 4 ADI assessment reports.
- Progress against Year 3 on the following sector-specific associations:
- STIKK, from 3.1 to 4
- AWPK, from 3.5 to 4
- KATA, from 1.5 to 2.5

All of the above-mentioned benchmarks will be implemented in Q3, when the ADI assessment takes place.

Component 3: Business Enabling Environment (BEE)

Objective 1

Monitor BEE and Kosovo legislation for relevant issues. Coordinate with donors (ongoing)

Benchmarks

- **At least one new legislative intervention in support of KPEP sectors investigated. (Ongoing)**

During Q1, the Government of Kosovo (GoK) began the process to amend the Law on Tourism. GoK then sent the amendments to all parties interested in tourism, including KPEP.

KPEP BEE provided written comments and suggestions (through the American Chamber of Commerce in Kosovo, or AmCham), and the KPEP tourism specialist participated in the GoK's working group on the law.

Challenges

Due to the large number of donor projects involved in amending the Law on Tourism, the challenge lies in compiling and unifying all suggestions in order to draft an effective law.

Activities Planned for Next Quarter

- KPEP BEE will continue to monitor the process of amending the Law on Tourism.
 - KPEP BEE will also continue to support legislation relevant to the project's overall objectives, and will intervene and investigate all legislation deemed important for KPEP clients.
-
- **Draft at least two new standard form contracts for agriculture. (Ongoing)**

During Year 3, KPEP BEE, in cooperation with USAID SEAD, undertook the task of drafting standard form contracts for agriculture. The standard form contracts cover sales, transportation and brokerage. KPEP BEE is nearing completion of the first drafts of these contracts, which it will then send to SEAD for revision. This activity should be completed in Q3.

Challenges

Since the contracts are being written according to the draft Law on Obligations, the challenge remains that they will not take effect until the draft legislation actually becomes law.

Activities Planned for Next Quarter

KPEP BEE will finish the draft standard form contracts, send them to SEAD and then await further action.

- **Where appropriate, participate in the American Chamber of Commerce in Kosovo (AmCham) Competitiveness Committee.**

KPEP has cooperated with AmCham since project inception. It continued to cooperate during Q1, actively participating in a variety of activities, as described below. Most importantly, KPEP remains part of the AmCham leadership, helping to shape its strategic direction. The Deputy Chief of Party joined the AmCham board in Q2 of Year 3 and continues to play an active role. KPEP also remains the largest and most effective donor project that works directly with businesses; KPEP's voice within AmCham allows the project to raise issues to the highest levels within the GoK and donor community. AmCham meets regularly with GoK ministers, providing exposure for businesses and raising awareness about important strategic issues, such as improving the environment for Business Process Outsourcing (as detailed in the Investment Promotion Agency of Kosovo's strategic focus). Tapping the network of contacts enjoyed by the AmCham board and its members also allows KPEP to act expeditiously. For example, when a foreign investor from Pakistan visited Kosovo (through AmCham) with the aim of investing in textile and other industries, AmCham contacted KPEP to provide more information on the local business environment and private sector. The Deputy Chief of Party's role as Chair for the Competitiveness Committee, and the hosting of those meetings at KPEP offices, additionally raises awareness of KPEP as a driving force in private sector development in Kosovo.

KPEP facilitated and participated in the regular AmCham Competitiveness Committee meetings, held at the project office, during Q1. Participants were: KPEP, SEAD, BEEP, Crimson Capital and AmCham. The issues discussed during the meeting were: late payments, VAT, Law on Labor and the Law on Inspections. The various parties agreed to undertake certain actions in an attempt to solve pressing issues; examples include drafting group position papers to suggest certain actions to the GoK.

Challenges

There are no challenges in cooperating with other participating projects. However, the issues they discuss remain a challenge—the projects must work together in tackling them.

Activities Planned for Next Quarter

Continue the mutual effort undertaken by committee members to assist economic development.

Additional Achievements with AmCham

Kosovo Business Agenda - During Year 3, AmCham and BEEP organized a series of roundtable discussions and focus group meetings with projects and businesses to identify the pressing issues that businesses face in their daily work. Based on the findings, AmCham drafted the Kosovo Business Agenda 2011, which it published during Q1. The document reflects the major concerns that Kosovo businesses have in relation to the GoK, Tax Administration, KEK, Customs, etc. As an active participant at the roundtables and focus groups, KPEP went on to attend the presentation of the Agenda.

International Monetary Fund (IMF) mission on tax policy – The IMF mission on tax policy visited Kosovo and met with businesses and chambers of commerce to discuss tax policy problems. AmCham organized a meeting between the IMF mission and AmCham’s members and partners. KPEP attended the meeting and expressed the concerns of its clients in regards to tax policies and administration.

Challenges

No challenges identified in regards to the activities themselves.

Activities Planned for Next Quarter

KPEP BEE will continue to attend similar activities based on the need of KPEP sectors and upon USAID request.

- **Legal advice to KPEP sectors - BEE to provide advice on sector-specific needs, such as contracts, MoU’s, legal analysis, etc. (Ongoing)**

Agriculture - Fruits and Vegetables

KPEP’s fruit and vegetable specialist requested BEE’s assistance in reviewing a draft contract prepared by Israeli firms for provision of greenhouse packages for Kosovo farmers. To that end,

BEE met with CDF and Raiffeisen Bank representatives to discuss and agree upon those contract terms that required change or revision. After the two parties agreed the final draft, the Gjakova 1 farmers' cooperative signed the contract for 12 greenhouses.

Agriculture - Dairy

KPEP received a request to assist the Kosovo Dairy Processors Associations (KDPA) in forwarding its concerns to the Ministry of Trade and Industry regarding the dumping of dairy products from Macedonia. KPEP BEE researched existing legislation and drafted a request letter on behalf of KDPA. The letter stated the association's concerns as well as provided possible legal steps that could be taken based on CEFTA and Kosovo legislation. After KPEP management reviewed and approved the letter, the project's dairy specialist and KDPA took it up for further action.

Forestry

KPEP BEE was asked to prepare a legal analysis regarding the best public-private partnership (PPP) option for forestry management, as well as potential conflicts with other legislation. After preparing the analysis, KPEP BEE presented it to KPEP management, the project's forestry specialist and a EU-funded project for action on further supporting sustainable forestry management.

Construction

KPEP BEE drafted a Memorandum of Understanding to allow for cooperation between KPEP and the Kosovo Chamber of Commerce (KCC). The cooperation consists of KPEP's assisting KCC in adding Serbian-language content to its website, as well as KCC's assisting with the articulation of a Kosovo strategy for construction product certification. Both parties signed the MoU during Q1.

Business Support Services (BSS) and Information and Communication Technology (ICT)

KPEP, the Kosovo Association of Information and Communication Technology (STIKK) and the International Finance Corporation (IFC) cooperatively organized "Combined ISMS and Internal Auditor Training on ISO 27001" training for local consultants working on Information Security Management System (ISMS). KPEP BEE reviewed the draft agreement and provided its feedback. The parties then signed the agreement and successfully implemented the project. For more information, please refer to the BSS and/or ICT section of this report.

Challenges

- No challenges identified with regards to cooperation.

Activities Planned for Next Quarter

- KPEP BEE will continue to provide its support when relevant on any issues that KPEP sectors have.

Additional Achievements with Donor Coordination

KPEP BEE continued its cooperation with other donor projects, both European and U.S. During Q1, KPEP facilitated and participated in three project coordination meetings. Programs participating in these meetings were: USAID KPEP, USAID BEEP, USAID YEP, EU SME, DFID-PSDP 2, EU RED, GiZ, EU Trade Project, ADA and the World Bank.

Representatives used the meetings to discuss and present various topics of mutual interest, as well as opportunities for potential cooperation among projects. Topics included: small business days, legislation, doing business, inspection authorities and feasibility study for creation of free economic zones.

Cooperation with EU SME

During Q1, the EU SME and SME Agency organized “Small Business Days.” The four-day fair included various presentations, conferences and both national and regional awards on business competitiveness.

KPEP, together with four other USAID projects, participated in the fair, presenting to attendees the project’s sectors, activities and program. The fair concluded with the National Conference on Kosovo European Integration through Small Business Development, where the national and regional awards were presented to successful small and medium businesses, based on their competitiveness. Three KPEP clients—Tefik Canga, Pestova and Euro Food—won regional awards for best business.

Cooperation with USAID BEEP

USAID BEEP has worked with the GoK on undertaking various policy changes, mainly as relates to trade barriers and easing the business environment. As KPEP works closely with businesses, and remains in close contact with its clients, the project and BEEP have discussed cooperating on drafting a questionnaire for businesses to gauge their awareness of recent policy changes. The questionnaire has a double function: (1) It will inform businesses about the

procedural changes at both the municipal and central administrative levels; and (2) It will provide results on governmental transparency. BEEP provided KPEP with the full list of policy reforms/removals it undertook, and KPEP then prepared the questionnaire reflecting these changes. The questionnaire was translated into Albanian and Serbian for distribution to KPEP clients early in Q2.

Cooperation with DFID – PSDP 2

UK aid launched its Private Sector Development Projects – Phase 2 during Q1. The one-year project will focus on the empowerment of business associations. During the kick-off ceremony, project representatives expressed their interest in establishing closer cooperation with other donor projects, including KPEP.

KPEP participated in an introductory meeting for the “Manifesto for Business,” organized by DFID’s PSDP 2. DFID intends the Manifesto to become a collaborative exercise among those business associations participating in the project. The Manifesto would represent the business sector’s point of view in relation to the GoK’s own plans for reform of the business environment, notably: The GoK’s Vision for Economic Development (Vision 2014); The SME Development Strategy for Kosovo 2012-2016; and the Kosovo Business Agenda 2011.

Considering KPEP’s heavy engagement with the various associations, there are multiple opportunities for KPEP and PSDP 2 to cooperate—possibilities that will be further explored during Q2.

West Balkans Regional Competitiveness Initiative

The SME Agency arranged this roundtable in order to single out one of the 24 identified projects to be implemented by the Organization for Economic Cooperation and Development (OECD), within the scope of the Regional Competitiveness Initiative (RCI). The OECD will provide non-financial assistance, in the form of advice to the GoK on the implementation of a project. The project that received the most support from participants involved revising the political framework for innovation. Different donors present at the roundtable also presented their projects and activities, lest there be any doubling of efforts on the part of the OECD. KPEP was the only USAID project present at the roundtable and presented its own work, as well as that undertaken by other USAID projects.

Challenges

- No particular challenges were identified in the cooperation and coordination with other donor projects.

Activities Planned for Next Quarter

- KPEP BEE will continue to cooperate with other donor projects in all areas deemed important for KPEP sectors.

Component 4: Work Force Development (WFD)

Objective 1

Improving Productivity

Benchmarks

Wood Processing Sector:

- **At least 10 students to be placed as interns in carpentry/marketing/design fields.**
- **At least 70% of interns are hired full-time.**

As part of the internship program created with the Association of Wood Processors (AWPK), KPEP anticipates meeting these benchmarks in Q2, and reporting them in Q3.

Information and Communication Technology Sector (ICT):

- **Program will place 30 university students as interns.**
- **At least 70% of interns are hired as full-time employees (FTE).**

During Q1, KPEP assisted STIKK in developing a questionnaire to define the common training needs of those members interested in hiring summer interns. STIKK will survey its members at the beginning of Q2. The results of the survey will serve to identify the specific training courses that would be helpful in increasing the employability of interns and in filling in the gaps between university curricula and job market needs.

Dairy Sector:

- **Program will place 10 university students as interns.**
- **At least 70% of interns are hired as full-time employees (FTE).**

As part of the dairy processing internship program, KPEP will implement these benchmarks during Q2, and report them in Q3. However, the project has so far identified two dairy

processing companies that each have agreed to take on two interns, for a period of three months. “Rugova” dairy expressed its interest in hiring two students to work on its cheese processing line, while the “Rona” dairy needs one person on its cheese processing line and another in its marketing and sales department. Several other companies will be visited shortly in order to ensure that the full complement of 10 students will gain the opportunity to apply their theoretical knowledge to actual work experiences.

Construction Sector:

- **Develop a sustainable and operational plan for HEOTC.**
- **At least 100 unemployed heavy equipment operators to be trained and certified.**
- **At least 80% of unemployed and trained persons to be placed in firms (the benchmark target figure will be established once the employment status of applicants is known).**
- **Local accreditation of training program.**

KPEP provided assistance to the KEK training center to develop a sustainable operational plan and an annual operational schedule.

- **Develop a sustainable and operational plan for the KEK welder training center.**
- **At least 20 welding operators to be trained and certified.**
- **At least 70% of unemployed trained students to be placed in firms (the benchmark target figure will be established once the employment status of applicants is known).**
- **Local accreditation of training program.**
- **Train and certify 40 students with internationally recognized diplomas.**

In order to quickly leverage the cooperation of the Ministry of Labor and Social welfare during the first round of the welders training program, KPEP recruited 14 people through the ministry’s municipal centers. While in general those selected were both unskilled and unemployed, KPEP trained and certified all 14.

KPEP anticipates meeting the above benchmarks early in Q2 and then reporting on their completion in Q3.

Financial Banking Sector:

- **At least 30 university students to be placed in firms.**
- **At least 70% of interns are hired full-time following graduation.**

KPEP is looking forward to leveraging further support for the project's European Foundation Course in Banking (EFCB). The course will begin March 1. The project targets commercial banks hiring 30 students as interns in Year 4, after they have completed the training and successfully gained certification.

Internship Institutionalization

- **Internships with public institutions are replicated and expanded in at least one ministry and with municipalities.**

Due to strategic changes in Year 4, KPEP planned to cancel and drop this activity from the Work Plan.

- **Institutionalize with public and private universities.**

KPEP plans to conduct this activity during Q2.

Crosscutting Internship:

- **Recruit and place 300 successful interns in 2011/2012.**
- **At least 40% of interns are hired full-time following graduation.**

KPEP plans to leverage the support of the Luxembourg Development Agency (LuxDev) for this activity, to be conducted jointly with Ministry of Labor and Social Welfare early in Q2.

Entrepreneurship:

- **At least 50 new jobs are created.**

This benchmark will be addressed in Q2.

- **At least 20% of successful entrepreneurs receive follow-on support.**

During Q1, 50 of the 118 entrepreneurs who participated in the final entrepreneurship training phases went on to receive post-training support. The Business Support Center Kosovo, in cooperation with CEED Kosovo, provided six hours of mentoring to each business. The

entrepreneurs mainly expressed interest in receiving more technical assistance on financial management, financial reporting and tax declaration.

Women Entrepreneurship:

- **At least 30 business women trained.**
- **At least a 10% increase in sales for business women, compared to Year 3.**

These benchmarks will be reported in Q3.

Activities planned for next quarter:

- Identify interested wood processing companies, which will hire 10 interns for three months
- Identify several other dairy companies interested in hiring an additional six interns for three months
- Identify leveraging partners for implementing a commercial bank internship program
- Meet with public and private universities in Kosovo to discuss institutionalizing the internship program
- Meet with the Ministry of Labor and Social Welfare to recruit and place 300 successful interns in 2011/2012
- Follow up with Community Development Fund regarding the entrepreneurship grant winners
- Make field visits to the finalists of the entrepreneurship training for follow-up monitoring

Meet with Wominnovation—the business network for women and innovation in Kosovo—to discuss the possibility of leveraging business women training.

North Kosovo Activity

** N.B. This section describes an activity not in the original KPEP Task Order. This section describes an activity initiated following funding increases of 750,000 Euros, on Jan. 21, 2011, and \$2.3M on July 25, 2011.*

Background

Unemployment remains the most pressing economic and social issue for the approximately 60,000 people in North Kosovo. The overall unemployment rate stands at approximately 50%, while the youth unemployment rate remains a staggering 80% to 90%, according to ICO estimates. In the past, employment in parallel institutions provided somewhat of a base of well-paying jobs, but this practice is ending. Stipends that accounted for 200% of the standard civil service salary have been lowered to 150%, with further cuts planned. The overall numbers of public and quasi-public sector jobs are being slashed dramatically. Families that once relied on these sources of income are prepared to engage with the private sector, within the institutional framework of the government of Kosovo.

KPEP has been very successful in instituting a short-term employment program in the four municipalities that constitute North Kosovo. The project has completed Phases I and II of the short-term employment program, which offered gainful employment, via NGOs in North Kosovo, to 450 previously unemployed people. Phases I and II generated a total of 28,226 workdays of employment, through Q4 of Year 3. The program has (1) targeted more than 30 specific points on the Ibar River for cleanup; (2) engaged with the population in North Kosovo's four municipalities; and (3) generated a significant amount of interest in work within the population. All program hires pay income taxes and receive mandatory pension contributions. Moreover, the NGOs that KPEP contracted to lead the activity have obtained full tax and business certification in Pristina. This includes obtaining a fiscal number and registering as an employer.

At the same time, KPEP has established a physical presence in North Mitrovica, opening a small point-of-contact office in Bosniak/Boshnjak Mahala. KPEP recruited two business advisors to staff the office on a full-time basis and to provide a focal point for businesses to seek support in the forms of grants and/or technical advice. As a result of this presence, and a determined push to seek out qualified clients who meet KPEP grant requirements, the project has identified 60 businesses, drawn from multiple sectors, as initial potential candidates for business support grants and technical services. Each business generates employment, meeting the requirements

for full-time employment for those presently unemployed or in part-time employment. Four of the identified clients have received grants (or remain in the process), under the existing KPEP Strategic Activities Fund (SAF), valued at \$113,000. The project projects these grants should generate an additional 66 full-time jobs, either directly or indirectly, at a per-job cost of \$1,700. That amount is less than 50% of the average job creation cost for KPEP to date.

Businesses have been more than willing to register in accordance with Kosovo law in order to qualify for grant support under KPEP's SAF. The project anticipates that startup businesses wishing to qualify for KPEP grant support will continue to register in the future as well.

Strategy

KPEP's strategy is to take those areas previously cleaned and leveled under the auspices of the short-term employment program and transform them into recreational areas, including small-scale parks and playgrounds. The private sector has expressed an interest in supporting this effort for reasons of corporate social responsibility, as well as for promotional reasons. The project will support existing businesses and startups with grants and technical assistance.

Objective 1

Short-term Employment Generation

Benchmarks

- **At least 30,000 workdays generated.**

Traditional short-term work

The short-term employment program concentrated on urban areas as a prelude to the development of municipal recreational areas. Local communities strongly supported the short-term employment work while it focused first on cleaning riverbanks and, later, on built-up areas, as the project began an urban beautification program. The program sourced plantings, focusing on those capable of withstanding winter weather, from Kosovo-based nurseries. Additionally, the program established small nurseries to provide the necessary sustainability for ongoing planting activities. During Q1, the project implemented 12,198 workdays or, 97,584 work hours.



Sector	Activity	Progress
Quick employment	Phase III of Ibar River and urban areas cleanup continued in Q4 of Year 3, into Q1 of Year 4.	During Q1 of Year 4, the project implemented 12,198 workdays. Overall, during Phase III of the Ibar River and urban areas cleanup, the project has implemented 18,618 workdays.

Forestry Cleaning

- **Apply forest thinning over approximately 162 hectares of forest area in Leposavic.**
- **Create short-term jobs for 60 workers.**

KPEP started a project for the pre-commercial cleaning and thinning of young stands (silviculture treatment) in Northern Kosovo. So far, KPEP has identified the forest area and has tested two experimental plots. The project engaged professionals to evaluate the environmental impact of these operations. The project issued a grant to “M&A” Leposaviq/Leposavic to implement silvicultural treatments across 162 hectares in northern forest areas (20 locations total).

During Q1, 128 hectares of forest received treatment, of the 162.46 hectares slated for attention over the life of the project. Furthermore, the program extracted 429 cubic meters of firewood, later used to supply 100 of the poorest village households with fuel. Overall, 3,968 workdays have been completed and 118 short-term jobs created.

Forestry Cleaning Project				30.12.2011.									
No.	Municipality	Mgmt. Unit	Compartment no.	Working area (in ha)	Treated area	Extracted wood (m ³)	No. of households supplied	Workers employed/per ha			Ethnic structure		
								Supervisors	Chainsaw	Workers	Serbs	Other	
1	Leposavic	Jarik Belo Brdo	120/a	15.00	15	40	15	30	60	375	465		
2	Leposavic	Jarik Belo Brdo	120/b	5.00	5	8	4	10	20	125	155		
3	Leposavic	Jarik Belo Brdo	121/a	10.00	10	18	4	20	40	250	310		
4	Leposavic	Jarik Belo Brdo	121/b	12.00	12	34	7	24	48	300	311	61	
5	Leposavic	Jarik Belo Brdo	122/a	10.00	10	51	8	20	40	250	254	56	
6	Leposavic	Jarik Belo Brdo	122/b	3.00	3	18	3	6	12	75	67	26	
7	Leposavic	Jarik Belo Brdo	122/c	15.00	15	70	15	30	60	375	385	80	
8	Leposavic	Jarik Belo Brdo	139/a	15.00	15	76	14	30	60	375	440	25	
9	Leposavic	Brdija Letine	3/a	16.46	12	29	10	24	48	300	372		
10	Leposavic	Brdija Letine	11/a	20.00	19	64	14	38	76	475	579	10	
11	Leposavic	Dobro Brdo Lokve	98/a	21.00	12	21	6	24	48	300	363	9	
12	Leposavic	Dobro Brdo Lokve	99/a	20.00									
Total				162.46	128	429	100	256	512	3200	3701	267	

Short-term Work (Internship) Project

- **At least 100 interns placed.**
- **At least 30% of interns obtain permanent employment.**

KPEP identified the Accounting and Finance Association (AFAS) as its implementing partner for the placement of 100 interns at work places across North Kosovo. AFAS announced the project on October 1, and held an information session a day later held to provide details about this short-term opportunity. Shortly thereafter, AFAS selected 100 interns for placement with 28 firms. Interns and firms alike have since expressed their satisfaction with the program. At present, two months into the program, at least 60 additional firms are interested in taking on interns.

Objective 2

Business Development, Enhancing Employment Capacity – Grants to Business

Benchmarks

- **At least 100 additional full-time new jobs created through established businesses.**

This benchmark will be met by the end of the Workplan Year. In Q1, KPEP focused on awarding grants to those businesses that will be able to create employment. Grants will also be awarded in Q2.

KPEP selected grantees based on their potential to provide increased permanent employment and then rated them based on their job-creation cost effectiveness. KPEP selected firms based on their responses to the annual program statement for Northern Kosovo, which it then modified and reissued on the basis of this activity. Firms initially submitted concept papers, in which they stated basic business assumptions (with assistance from KPEP field advisors). The project then asked those firms that had received the approval of the SAF committee to submit a full grant application that specified totals costs, business assumptions and labor increase, which the committee again reviewed.

KPEP awarded three grants to businesses in Q1 of Year 4. They included 3,459€ awarded to Aves Prom, which increased the amount approved for this firm to 27,539€, from 24,080€.

Zoo Trejd and S.Z.R Frukta represent new grants; see the below table for details:

Type of awards	Enterprises level	Sector Component	Municipality	Awardees	Amount Approved Euro	Amount Approved	Project Short description
Grant	Microenterprise	Agriculture	Leposavic	Zoo Trejd	€ 14,762.00	\$ 19,817.43	Pig Farming
Grant	Non-Micro Enterprise	KPEP	Zvecan	S.Z.R. Frukta	€ 20,000.00	\$ 26,113.07	Purchasing of small scale meat processing equipments
Grant	Microenterprise	Agriculture	Zvecan	Aves Prom	€ 3,459.00	\$ 4,941.40	Setting up the Commercial Poultry Farm

Objective 3: Entrepreneurship Program

Benchmarks

- **At least 150 people trained.**
- **At least 100 business plans received.**
- **At least 100 startup grants will be disbursed, creating at least 200 new full-time jobs.**

KPEP targeted the Mitrovica, Zubin Potok, Zvecan and Leposavic/Leposaviq municipalities, where there is little or no donor activity related to entrepreneurship training, support and grants. The purpose of the program is to assist promising businesses to (1) acquire professional services or small-scale capital that will increase business revenue; and (2) increase the likelihood that the business will succeed and retain its employees. The maximum funding available for each individual award is \$5,000. The program is designed to encourage individuals in North Kosovo to start their own businesses and pursue self-employment as a career choice.

KPEP contracted the Business Startup Center of Kosovo (BSCK) to develop the entrepreneurship skills necessary for successfully establishing a business in any of the four northern municipalities.

BSC used different means to deliver the message to its target audience, including traditional media (radio, newspapers and television); outdoor advertising (flyers and presentations); and electronic media (local partner websites, Facebook and e-mail). This media mix has proven to be the most successful approach (based on a cost/benefit analysis) in attracting potential entrepreneurs to the training program.

BSCK received more than 190 applications for the trainings; eventually 186 people attended sessions held in all four northern municipalities in December.

Women

During Q1 of Year 4, KPEP supported women-owned businesses and women-led business associations. The project remained gender-sensitive in its overall selection of which businesses to support.

KPEP's support of select businesses led to successful trainings, expanded capacity and increased representation in foreign markets. The examples below present KPEP's approach and assistance.

KPEP and the Kosovo ICT association (STIKK, a woman-led association), supported by the International Finance Corporation, organized a three-day combined *Information Security Management Systems Foundation and Internal Auditor Course*. The comprehensive course provided hands-on training on Information Security Management Systems (ISMS) for the ICT sector. The course trained 17 people, with 15 receiving accredited certification. Separately, KPEP also provided STIKK with technical support during Q1.

With KPEP's continuous support, the Association of Wood Processors of Kosovo (AWPK, another woman-led association) has become a full member of the European Federation of Furniture Manufacturers (UEA). Separately, KPEP also awarded AWPK a 16,000-Euro grant during Q1.

Previous KPEP support given to Hosa Fresh, a vegetable processing company, secured employment for 12 women. During Q1, the company ordered a new processing line and other equipment required to process vegetables; both should enter use during the upcoming season. These added investments should lead to the employment of a further 70 workers, most of them women.

During Q1, 50 of the 118 entrepreneurs who participated in the final entrepreneurship training phases also received post-training support. Business Support Center Kosovo provided the mentoring, in cooperation with CEED Kosovo, dedicating six hours to each business. The entrepreneurs mainly expressed interest in receiving more technical information on financial management, financial reporting and tax declaration. Of the 50 entrepreneurs to receive follow-on support, seven were women.

Name of entity receiving grant	Type	Amount of funds in Euros
Association of Wood Processors of Kosovo	NGO	16,000

Microenterprises

KPEP works across value chains and by definition impacts microenterprises at all levels from production through processing to off-take and marketing. Micro enterprise support is not therefore limited to the direct clients with whom we work. USAID qualifies microenterprises as those enterprises that have an annual turnover of less than €50,000 and who employ less than 10 people. KPEP support to such microenterprises is highlighted by sector below:

In the **Livestock** sector, microenterprise engagement is at the level of the producer- suppliers to the dairies that are the project main client focus. KPEP does not interact directly at the level of the primary producer but is certainly impacting them. During this quarter, KPEP has continued to streamline the function and structure of the transparent raw milk quality sampling process.

This system currently sees more than 700 microenterprise suppliers of raw milk being quality-sampled twice a month and these sample results used as a basis of payment for quality. As a result small producers are just beginning to see the reason to invest in their enterprises.

Previously there was no reason to invest in quality upgrading - they were previously not reliably paid for improved quality in any event, negating any incentive to invest. Support to

Microenterprises in North Kosovo in the livestock sector is limited to the establishment of a small laboratory for pig insemination as well as the final preparations for the launching of the Aves Prom broiler farm outside Zvecan.

The **Fruit and Vegetable** Sector also emphasizes direct client support to larger aggregators and processors. These in turn work at programming production in some cases, but purchasing in all cases, from microenterprise producers of vegetables. Exports alone during the 2011 production period emanated from at least 450 small growers. During this winter season quarter, little impact at the producer level has been promoted, but the recent B2B exercise indicates a strong upward demand from processors and aggregators for product. It is estimated that this will involve an increase in farmer linkages involving more than 500 growers – all of whom are microenterprises. Improved linkages between the higher-level value chain actors and the producers will undoubtedly enhance production, attention to quality and ultimately competitiveness and revenues.

The **Non-wood forest** product sector, like the fruit and vegetable sector, targets support to aggregators and processors of wild harvest products. These are very small microenterprises, comprising families who gain a significant portion of their annual income from harvest and sale of these wild products. The quarter under report has been the off season so no direct impacts have been recorded; however KPEP is working with 3 aggregators in the sector, who are significantly expanding their process capacities in berries and forest products. It is envisaged

that this expansion will increase opportunities for the hundreds of microenterprises in the season ahead. Additionally, KPEP has worked during the quarter under review with APS in a bid to expand the area of cultivated medicinal and aromatic plants – again targeting microenterprise smallholders.

The **Wood Processing** Sector focuses its energy through the Association of Wood Processors (AWPK) Kosovo. It does provide firm-level support through the association and has among its current clients a number of smaller firms including Hilmi Deva BHD based in Gjakova, also RAE, Aring- based in Gjakova, Mebelstil based in Gjakova and Beha - based in Rahovec . In additional KPEP has provided support to ANB Milic, Fast Trade and Markovic in North Kosovo which are also microenterprises in this sector. Allied with the wood processing sector is the **Forestry** sector which impacts small and microenterprises through the timber off-take activity. No direct client support is quantified however.

The **ICT** sector has recently begun to work with some encouraging startup operations – Baruti, AdaptivIT, and Tekfuze have made solid advances during the quarter and have begun to employ and generate revenues. This sector is proving its ability to employ significant numbers early on at a comparatively low cost of job creation.

Support to other minority populated areas

In the past quarter, KPEP provided support to minorities across Kosovo. The bulk of the support exists in North Kosovo, where USAID has set aside 750,000 EUR and \$2.3M in assistance via KPEP, contract-to-date. Though minority activities in the rest of Kosovo are smaller scale, they still have broad reach and are worthy of mention. In Agriculture, KPEP supported minorities in the Dairy, Fruit and Vegetable, and non-wood forest product (NWFP) sectors. In addition, KPEP support to minorities extends to the Tourism Sector.

Dairy: In Gračanica, which is a Serbian-majority municipality, KPEP worked with the municipality and the private sector to coordinate integrated assistance. Bylmeti Dairy, which is owned by an Albanian and is located in an Albanian region of Kosovo, sought raw material – fresh milk- from minority farmers in Gračanica. The dairy sold in-calf heifers (pregnant cows) to farmers, who were able to make the purchases because they took loans from the USAID-funded Crimson Finance Fund. KPEP identified an opportunity to increase the farmer’s ability to both produce milk and pay back their loans. KPEP purchased eight milking machines and donated them to the Department of Agriculture in the Municipality of Gračanica. During the quarter, the cows gave birth and milk sales to Bylmeti began. In the month of December alone, Bylmeti reported that it collected 17,000 liters of milk from 13 dairy farmers. In order to increase the likelihood of success of the project, KPEP also engaged a private veterinarian to provide animal husbandry and veterinary extension services to the dairy farmers who received in-calf heifers. KPEP also provided support for HACCP certification to Albanian-owned Kabi Dairy in Gjiilan, which purchases milk from minority (Serbian) farmers in Kamenica. Since Kabi is also a participant in the transparent raw milk sampling program, the suppliers to Kabi have their milk tested and analyzed by the Kosovo Food and Veterinary Agency. When raw milk quality is low for minority farmers, they are provided technical assistance in order to increase quality, particularly through improved hygiene.

Fruit and Vegetable sector: In the Fruit and Vegetable sector, KPEP has supported a seedling producer, Las Pallmas (in Albanian- majority Lipjan), which has a permanently-employed minority (Serbian) agronomist. The agronomist advises customers of all ethnicities on optimal procedures to cultivate seedlings once they have been transplanted from Las Pallmas. In an effort to bridge North-South relations and increase economic cooperation between these two regions of Kosovo, KPEP has worked with the minority-owned (Serbian) greenhouse Antonije (located in Zubin Potok in North Kosovo) by facilitating cooperation with Las Pallmas on new varieties of vegetable seedlings. Las Pallmas also reaches out to the RAE community,

employing them as seasonal workers. Twelve Ashkali women from Gadime village travel to Las Pallmas to work daily from March to October. Eight of the women work in seedling transplantation –moving seedlings from module trays to larger buckets for further growth. This operation requires careful manual work as the seedlings are fragile. As Las Pallmas has increased its nursery greenhouse surface, they plan to increase employment for RAE women in the 2012 season.

NWFP: In the non-wood forest products (NWFP) sector, most activities are being implemented in minority communities. The nature of NWFP, gathering berries and mushrooms from the forest, enables KPEP to reach the rural poor as well. Scardus, one of the six major NWFP firms in Kosovo, is located in the Serbian-majority Shterpce Municipality, and it employs Serbian collectors. Also in Shterpce, KPEP has worked extensively with the raspberry farmer's association MVM, the majority of whose members are Serbian. KPEP has worked with MVM to increase the number of hectares under cultivation, and KPEP also brought in the USAID YEP project to help young raspberry farmers increase production. More than fifty young raspberry growers, almost all Serbian, are in the process of application to YEP for funding. Another large NWFP processor is Hit Flores in Dragash, which purchases berries from Gorani people. They have been trained in Good Collection Practices to enable high standards of hygiene and a sustainable approach to the wild forest.

Tourism: KPEP has provided support to the wine sector in Rahovec Municipality. Throughout the municipality, the actors in wine tourism range from wine producers to accommodation providers to restaurants. In the Serbian-majority Velika Hoca, five businesses are engaged in tourism activities – three Bed and Breakfasts (B&Bs) and two wineries. These businesses participated in the wine tourism offer that is marketed by local and international tour operators. A two-day itinerary developed and managed by KPEP beneficiary KosovoGuide in partnership with the Hungarian travel agency Huszty brought 50 tourists from Hungary on a wine tasting tour. These tourists visited one of the wineries in Velika Hoca.

Trade Capacity Building and Facilitation

Throughout Q1 of Year 4, KPEP continued to work on trade capacity building and facilitation.

KPEP, working in close cooperation with other donor projects, focused on legislative reforms, export growth and customs policy. KPEP addressed the concerns of the Kosovo Dairy Processors Associations (KDPA) regarding the dumping of dairy products from Macedonia. It did so by taking up the complaint with the Ministry of Trade and Industry (MTI). KPEP researched existing legislation and drafted a request on behalf of the KDPA, which the association then submitted to the MTI. The minister indicated her readiness to act on the information.

KPEP also addressed concerns aired by Konsoni that certain Slovenian poultry meat was being sold in Kosovo at retail prices lower than those in its country of origin. Kosovo customs took action in response to normalize the market situation.

KPEP also engaged in additional trade capacity building efforts in Q1 in the form of cross-sector work. KPEP continued its support of many Kosovo industries in facilitating exports, both to the region and to the EU, and in encouraging them to more actively participate in regional and international trade shows and forge closer contacts with prospective partners.

Furthermore, KPEP continued to assist in raising the quality of products made by its client firms, as well as in preparing them for export by attaining internationally recognized quality certification. During Q1, KPEP also continued to assist clients in obtaining Hazard Analysis Critical Control Points (HACCP) certification. Five food-processing companies (Besiana, Agro Peti, Scardus, Kooperativa Rugova and APS) are in the final stages of the certification process. Thanks to KPEP assistance, two dairy plants (Rugova and Kabi) will soon implement HACCP.

Forest certification

Throughout Q1, KPEP continued to provide close assistance to the forest certification process in order to increase the competitiveness of Kosovo's wood products. The Standards Development Group's (SDG) application for accreditation of the Forest Stewardship Council standard for Kosovo remains under review at the FSC International Centre Policy and

Standard unit. KPEP ensured the unit received additional information. KPEP expects a FSC decision by the end of Q3, pending the next PSC meeting. The CoC Guide for FSC certification has been adapted, printed and presented to AWPK's board members. In addition, board members have received updates on the EU Timber Trade Regulation, which will come into force in 2013. The law will prohibit wood processors from placing harvested timber and timber products on the European market without CoC certification.

Additionally, KPEP offered technical support to the Ministry of Agriculture, Forests and Rural Development (MAFRD), Kosovo Forestry Agency (KFA), municipal directorates and local communities in applying FSC requirements in the Ahishte – Kaqanik/Kacanik and Koritnik II – Dragash/Dragas municipal units.

Construction

In Q1, KPEP continued working on trade capacity building in the construction sector. It also assisted producers of construction materials in improving product quality and in obtaining certifications. Officials have begun implementing the Administrative Instruction on the professional licensing of architects and engineers. During the first round of the welder-training program, KPEP recruited 14 people through the Ministry of Labor and then trained and certified them. Moreover, the KEK training center received local accreditation from the Ministry of Education/Center of Competency.

Through the support of the EBRD's TAMBAS project, Vinex worked with a Slovenian consultant to identify all necessary requirements before its guardrails may gain certification against EN standards. During Q1, Vinex launched its newest guardrail product, on a cost-shared basis with KPEP assistance. The investment established Vinex as the only producer of guardrails in Kosovo and the immediate region.

Brickos is finalizing a cost-shared investment that will create a new production line, enabling it to double existing output of clay bricks, as well as increase sales by 1,000,000 Euros and create new 25 to 30 permanent jobs.

With KPEP's assistance, the Rizam company established an internal quality control laboratory. Rizam also participated in the Investment Forum in Izmir, Turkey, organized by the Izmir Chamber of Commerce, where it established new business contacts. KPEP, in cooperation with

Investment Promotion Agency of Kosovo (IPAK), organized and led a delegation from Kosovo to the MADE expo trade fair in Milan, Italy.

KPEP signed a Memorandum of Understanding with the Kosovo Chamber of Commerce (KCC), with both parties pledging to cooperate in increasing employment, sales, exports, import substitution and investments in targeted private sector areas.

ICT

During Q1, KPEP continued to promote Kosovo's BPO sector to local and international investors. KPEP supported Baruti, a Switzerland-based service and contact center, in setting up a business in Kosovo. It will engage in market research for a German client. Moreover, KPEP continued to work with Indian BPO companies that have expressed interest in investing in Kosovo.

KPEP signed a Memorandum of Understanding with IPAK to jointly implement efforts to promote BPO investment in Kosovo. One of the activities involves supporting Kosovo firms in attending Call Center World in Berlin. IPAK has agreed to sponsor a trade booth for Kosovo's ICT firms.

KPEP secured substantial leveraging from international and local partner donors and organizations to implement its planned activities. IPAK agreed to commit more than half of the resources needed to promote investment in Business Process Outsourcing. The Innovation Center Kosovo, managed by the Athene Project and funded by the Norwegian government, supported mobile application (app) development training of 10 individuals by contributing equipment worth close to 10,000 Euros.

KPEP and STIKK, Kosovo's ICT association, with the support of the International Finance Corporation (part of the World Bank Group), organized a three-day combined *Information Security Management Systems Foundation and Internal Auditor Course* that provided hands-on training on Information Security Management Systems for the ICT sector. The comprehensive course trained 17 people, with 15 going on to receive accredited certification. KPEP also supported establishment of the Innovation Center Kosovo by providing resources for its initial activity (Pristina Startup Weekend) and in recruiting the first ICT startups for its business incubator.

Furthermore, KPEP assisted the intensive hands-on training of 17 people on the development and manufacturing of electronic devices, as well as the training of five others in providing product support for a Danish company that specializes in GIS-based software and services.

Dairy Sector

Beyond KPEP's intervening with the Ministry of Trade and Industry to flag unfair trade practices (*see the second paragraph of this section*), the project also joined with five partners (Ministry of Agriculture, Forestry and Rural Development (MAFRD), Kosovo Food and Veterinary Agency (KVFA), Swiss Solidar, Association of Kosovo Milk Producers (KAMP) and Kosovo Dairy Processors Association (KDPA) in reviewing a detailed budget and work plan for the transparent raw milk-sampling project. All parties also signed a MoU, agreeing to continue supporting the program.

During Q1, Konsoni saw an 83,269 Euro year-on-year increase in poultry meat sales. Furthermore, KPEP supported Konsoni in identifying two poultry farmers ready to invest in broiler-growing facilities, allowing Konsoni to meet the increased demand for fresh poultry meat, beyond what it now produces on its own.

MTI selected six KPEP clients to join the agriculture sub-group within the ministry's Trade Policy Working Group. They six are: Konsoni, Devolli, Bylmeti, Pestova, Ask Foods and Las Palmas. Pestova owner Bedri Kosumi was elected leader, charged with presenting the agriculture sector to MTI policy makers.

Wood Processing

During Q1, KPEP assisted 16 wood processing companies in engaging 39 interns, with 32 going on to secure permanent jobs. Seven of the participating firms also created 10 additional jobs.

The Association of Wood Processors of Kosovo (AWPK) became a full member of the European Federation of Furniture Manufacturers (UEA). Through AWPK, KPEP supported the 500-square meter exhibition of products made by 11 Kosovo wood processors at the Albrelex furniture fair in Tirana, Albania. Participation resulted in the immediate sales of 200,000 Euros of

furniture. And Castlebrook, an international contract furniture supplier, visited three companies in Kosovo, opting to follow up with two of them on cooperating further.

KPEP introduced 12 beech wood processors to Relita, an importer from Germany interested in wood products. Children's bedroom sets produced by one of the beech wood processors, Hilmi Deva, gained required compliance with DIN (the German industrial standard). Relita assisted by undertaking the necessary testing; Hilmi Deva has since delivered its first 50 bedroom sets.

Tourism

During Q1, KPEP continued its work on marketing, promotion and creating regional linkages for tourism businesses.

KPEP clients reported in Q1 a 1,266% increase in sales. International tourism receipts (ITRs) had a direct impact, with an increase of 779% over the same quarter in the previous year. This success was partly achieved thanks to KPEP's support of the Kosovo Alternative Tourism Association (KATA) in providing marketing and promotion services to its members, and partly through the project's participation in promoting the Western Balkans as a unified tourism destination, through USAID's Regional Competitiveness Initiative (RCI).

KATA participated in the Travel Turkey Izmir fair. KPEP, together with the MTI's Department of Tourism, funded 76% of this activity. The participation fees of member companies covered the other 24%. Twelve tourism companies, along with representatives of each firm's home municipality, promoted their tourism products, offers and attractions to the Turkish market. One immediate result of this activity was a follow-up meeting between a Macedonian tour operator, BalkanNet, and three Kosovo-based travel agencies regarding the development and sales of multi-country tours (Albania-Macedonia-Kosovo) to Turkish tourists.

Another successful KPEP-supported marketing activity involves the Western Balkans Geotourism Map Guide (WBGMG). USAID RCI is coordinating this activity with the National Geographic Map Division undertaking actual implementation. The guide will help Kosovo's integration in regional marketing initiatives, placing it alongside other western Balkan countries as a tourism destination. KPEP expects WBGMG will further increase ITRs.

KPEP worked on leveraging the support of other donors in continuing the two-year action plan that evolved from the Wine Tourism Strategy for the Rahovec/Orahovac region. It identified a

high-profile leveraging opportunity, the Wine Route South Kosovo project, funded by European Commission Liaison Office (ECLO) to the tune of €297,000.

KPEP's efforts put in over the last year in building tourism-related infrastructure and facilities increased the diversity of tourist offers and led to a 67% increase in ITR's in wine tourism offers over the same quarter a year earlier, as well as a 669% increase in local tourist participation. The largest group of international tourists to experience a wine tourism offer consisted of a group of 50 visitors from Hungary.

During Q1, KPEP assisted the Iliria cellar (part of the Bio Pak company) in organizing the first "Wine Weekend" for the international community in Kosovo. The event attracted the coverage of two local TV stations, RTK and TV21, which further promoted Kosovo's leading wine destination.

KPEP worked with Austria's IP Center to develop a well-tailored training program that meets the most crucial needs of tourism employees. This training program is expected to begin in Q2.

During Q1, KPEP worked closely with other projects in training and promotion. In cooperation with an ECLO-funded project, the staff of the Tourism Information Center in Rahovec/Orahovac received tour guide training. EBRD's TAM-BAS project will provide three tourism businesses (Hotel Qarshija e Jupave, Rudi Group, and Daka Winery) to advance their branding performance. KPEP cooperated with Institute Riinvest and Intercooperation, on branding of grapes and wines from Rahovec/Orahovac, which should smooth their accessing local and international markets.

KPEP assisted KosovoGuide in hosting a delegation of 10 representatives from Pegasus Airlines, a Turkish low-cost carrier that recently entered the Kosovo market. The group also included two Turkish journalists who wrote an article for the travel section of Hurriyet, a Turkish daily newspaper (www.hurriyet.com.tr/seyahat), about Kosovo's economic and tourism development.

Non Wood Forest Products

KPEP continues to support the exporters in this sector, with demand for Kosovo origin NWFP increasing. It is too early in the season, with no active harvest or exports to comment on the

increase in sales for the forthcoming year. However, commercial plantings are likely to achieve target levels of an additional 50Ha. The Italo-Hungarian company Frateli contracted Hit Flores to deliver 300 tons of chestnuts next season. Hit Flores also sold 22 tons locally through various supermarket chains.

Fruits and Vegetables

The fruit and vegetable sector achieved notable results during Q1. Hosa Fresh is in the midst of ordering a processing line and related equipment to commence vegetable processing during the upcoming season. The Rizona vegetable processing company likewise is bolstering its own processing line. Together, the two companies are on track to invest more than 200,000 Euros, with a concomitant increase in employment.

During Q1, KPEP continued to facilitate sales call across the region and throughout Europe, with seven trading/processing companies expected to export more than 10,000 mt of fresh vegetables. Locally, Abi & Elif confirmed its interest in purchasing 7,000 mt of vegetables for processing.

KPEP, working in partnership with the YEP project, promoted and presented a cooperative franchising offer from King Mushroom to 120 farmers. That day, 60 of the farmers agreed to deliver compost for the cultivation of shiitake mushrooms for export throughout Europe. KPEP has registered further interest from farmers, with more than 100 in central Kosovo eager to cooperate.

KPEP participated in Anuga, the world's largest food and beverage fair, forging new contacts and new linkages for Kosovo's agribusiness sector in general and project clients in particular. During the fair, KPEP confirmed Natureta, a Slovenian vegetable processing company, seeks to purchase 1,500 to 2,000 mt of peppers.

Based on the successful participation of Ask Foods in the July 2011 Fancy Food Show in Washington, D.C., thanks to the facilitation and support of KPEP, Kelmendi GmbH gave space to the food company to display its products at Anuga—a European first for Ask. As a result, Ask Foods exported the first 100 mt of food products through Kelmendi. Further exports are expected.

KPEP organized a B2B meeting that drew together 30 client companies and agribusiness stakeholders. The 2012 B2B offer from traders and processors exceeds 15,000 mt of fruit and vegetable for processing and fresh export.

KPEP also discussed with ETC creating new linkages to source 3,000 mt of potatoes, as well as 5,000 mt of other fresh vegetables, over the upcoming season.

KPEP will continue to assist with trade-capacity building and facilitation throughout the life of the project. Its assistance will address all issues raised by project clients, expanding on a demand-driven basis. Furthermore, KPEP will continue to cooperate closely with other donor projects and the GoK, as well as establish new cooperative relationships with other projects and relevant institutions. Doing so allows for a unified and unanimous approach in resolving trade-related issues.

Strategic Activities Fund (SAF)

SAF Review Committee: The SAF review committee continued to meet regularly. SAF attracted less applicant interest during Q1: KPEP received eight concept papers, compared to the 18 received in the previous quarter. KPEP approved one of the concept papers and rejected five. Another two are remain in process. In addition, KPEP approved three concept papers from North Kosovo received in previous reporting periods.

Requests for Quotations: During Q1, KPEP issued one Request for Quotations (RFQ) for greenhouses for North Kosovo. KPEP published the advertisement in local newspapers and on the project website. KPEP is currently reviewing the 10 offers it received in response.

Requests for Applications: During Q1, KPEP did not issue any Requests for Applications (RFA) or Requests for Proposal (RFP). As a result, no subcontracts were signed.

KPEP awarded six grants, worth a total of 309,266€ (\$419,200). The total includes 255,266€ (\$347,701) awarded in North Kosovo. In addition, KPEP awarded 3,459€ to Aves Prom from North Kosovo. When added to what the project awarded Aves Prom in the previous quarter, the overall total in grants rose to 27,539€, from 24,080€.

Grants and Subcontracts Awarded		
Type of Award	Approved	% Distribution
Grants	€ 312,725	100%
Subcontracts	€ 0	0%
Total	€ 312,725	100%

During Q1, KPEP awarded grants to organizations in the below project-approved sectors/components.

Distribution of awards by sectors during the first quarter of the year four:

Agriculture	€ 45,221	14.5%
ICT	€ 11,000	3.5%
Other	€ 20,000	6.4%
Wood Processing	€ 16,000	5 %
CFW	€ 220,504	70.5%
TOTAL	€ 312,725	100%

Type of awards

KPEP awarded grants to the following organizations:

Grants awarded						Type of ER Checklist		
	Awardees	Short description of the project	Sector	Enterprise level	Total in Euros	Cat. Exclusion	Neg. Determ.	Pos. Determ.
1	Fidanishtja e Godancit	Purchase of Robot Grafting Seedling Machine	AS	Microenterprise	€ 27,000		X	
2	Association of Wood Processors of Kosovo (AWPK)	Support to Association of Wood Processors of Kosovo (AWPK) in fulfilling annual plan on promotional activities	WP	Microenterprise	€ 16,000	X		
3	TekFuze LLC	Intensive Hands-on Electronic Engineering Training	ICT	Microenterprise	€ 11,000	X		
4	Association for Finance and Accounting Services (AFAS)	Short-term Employment for 100 Young Serbs in North Kosovo	CFW	Microenterprise	€ 220,504	X		
Grants awarded in North Kosovo								
5	Zoo Trejd	Pig Farming	AS	Microenterprise	€ 14,762		X	
6	S.Z.R. Frukta	Purchasing of Small-scale Meat Processing Equipment	Other	Non-Microenterprise	€ 20,000		X	
7	Aves Prom	Setting up Commercial Poultry Farm	AS	Microenterprise	€ 3,459		X	
TOTAL					€ 312,725			

Almost all of the awards (93.6%) went to support activities that benefit microenterprises, as shown below:

Distribution of Awards by Type of Enterprise		
Enterprise	Percentage	Total in Euros
Non-microenterprise	6.4%	20,000€
Microenterprise	93.6%	292,725€
Total	100%	312,725€

During Q1, KPEP revised the SAF Manual and submitted it to USAID for approval. The revised SAF Manual includes: Termination and Suspension: With Consent of Grantee, Upon Request of the Grantee, for U.S. National Interest; Termination for Material Failure, Financial Insolvency of Grantee, for Convenience of the Government; and Modifications: Types of Modifications and Arbitration.

ENVIRONMENTAL COMPLIANCE AND MONITORING

Environmental reviewing and monitoring requirements

The Initial Environmental Examination Documents DCN: 2008-KOS-002 and 2001-KOS-033, set out the environmental reviewing, monitoring and reporting tasks for each activity subject to an environmental compliance procedure. During Q1, KPEP prepared two environmental review reports, for “Frukta” and “Fast Trade.” This work included preparation of Site Specific Environment Compliance Plans (SSECP). The SSECPs include the EMMPs that specify the mitigation measures and monitoring indicators for each activity. Also, EMMPs provide the monitoring frequency and monitoring responsibility. KPEP did not conduct any PPAs or PERSUAPs during Q1.

Monitoring goal and methodology

KPEP undertook monitoring visits to inspect the implementation of environmental recommendations, as indicated at the EDDs and/or SSECP for each company/organization. KPEP bases each monitoring assessment on potential environmental impacts, mitigation measures and monitoring indicators, as set out at the EMMPs for each activity. The monitoring visits included:

- Visual observation and photographs related to: physical impacts, water use, waste management, use of personal protective equipment (PPE), fire safety measures, ventilation, wastewater collection and discharge, wastewater treatment, fuel used and hazardous materials storage.
- Interviews: KPEP interviews owners or managers related to the progress made on completing: environmental permits, water permits, fire safety permits; plans for meeting commitments for improving technology, reducing emissions, applying for relevant permits, investing in wastewater treatment, etc.

KPEP then prepares and files separate monitoring reports from each monitoring visit for each company/organization visited.

Current situation - summary

Of the companies that KPEP visited, most deal with cultivating, processing and/or conserving fruits and vegetables. Of the others, three collect NWFP, while one each thins forests, produces dairy products, and makes cardboard fruit and vegetable crates.

Physical impacts

KPEP did not note any activities that include land removal or any other physical activity that might have significant environmental impact.

Water use

Most of the activities use water from individually owned wells, while a few draw from a public water supply system. They use water primarily for cleaning purposes. Companies were advised to use water efficiently and, when possible, to: re-use the water, practice dry cleaning, and in other cases to use low-volume, high-pressure water cleaning.

Some companies still have not installed water meters. Even though these companies use their own well water, they were advised to install a water meter and to keep records of water consumption.

Energy use

Electrical power remains the most common energy source for most of the companies. For heating purposes, one of companies uses coal (Las Palmas), but plans to switch to gas and or pellet/ briquette in the near future.

Wastewater

In most cases, cleaning activities remain the major source of wastewater. Most activities have developed a private wastewater collection system that ends in a septic tank. A few have developed a series of septic tanks and conduct mechanical wastewater treatment. Kabi has installed a WWTP that, to some extent, reduces the pollution load; still, the current system requires upgrading.

Air emissions

None of the activities KPEP visited belong to the Large Combustion Plants category. No significant air emissions were evident at any of the activities. Air emissions may result from burning fuels for heating purposes, but with limited capacity, and at an acceptable rate.

Biological impacts

Few activities involve biological impacts other than NWFP collection and processing. NWFP companies claim to have trained staff on the proper collection of NWFP, and that they continue to cooperate with relevant authorities in order to sustainably harvest NWFP.

Waste management

KPEP did not witness any problems at sites related to waste management. Sites reported composting organic wastes for use as fertilizer. Wood waste is reused, while public waste collection companies gather all other remaining waste for disposal at landfills.

Key issues/ recommendations

Following the inputs from monitoring visits and select interviews with company owners, two main issues may be highlighted for future consideration.

1. Wastewater treatment—as this remains a Kosovo-wide problem, it persists as an issue for most visited companies as well.
2. NWFP collection—although companies claim to have trained their workers following sustainable harvesting principles, there is no strong mechanism in place to ensure NWFP are indeed sustainably harvested. First of all, state institutions either lack the capacity or the will to do so. And second, according to those NWFP collection companies KPEP visited, illegal NWFP harvesters damage Kosovo’s forests through their unsustainable harvesting practices and thus create unfair conditions for the overall NWFP market.

TABLE: SUMMARY FOR EACH INDIVIDUAL COMPANY VISITED

Company / Activity	Main EMMP Indications	Situation
<p>Scardus Non-wood forest products collection</p>	<p>Sustainable harvesting of NWFP.</p>	<p>Scardus reported to have organized appropriate trainings for its workers in order to ensure they collect NWFP following sustainable harvesting guidelines. The relevant training material is available. Scardus also has produced leaflets that help workers and other interested parties better understand the importance of sustainable NWFP harvesting. The company was advised to keep records of staff training, and to plan on regularly cooperating with authorities. Scardus is HACCP certified.</p>
<p>Besiana Non-wood forest products collection</p>	<p>Sustainable harvesting of NWFP; maintenance of the cooling chamber and HACCP.</p>	<p>Besiana is HACCP certified. The owner reported to have trained staff on sustainable harvesting practices. Besiana has contracted for the maintenance of its cooling chamber. The company is advised to keep organized training records that include: participant lists, photos, etc., and to invite a relevant KPEP expert when organizing trainings.</p>
<p>M & A Help and Support, Leposavic/ Leposaviq Forest thinning</p>	<p>Potential soil contamination; degradation of ecological system due to improper and overharvesting; human impairment / loss from accidents.</p>	<p>No problems seen at the site. Workers add fuel to chainsaws correctly and no soil pollution problems were seen. Workers use small tractors to transport wood. The firm does not build new roads as part of its forest activities. The project manager reported that all workers receive proper training. When hiring new workers, the firm provides theoretical and practical training, as well as close supervision during the first three days on the job. Also, the firm provides adequate instructions to the workers related to threatened species, despite the local absence of any such species. With PPEs, workers were seen to be wearing gloves and adequate clothing. They were recommended to wear helmets, in particular when working with chainsaws.</p>
<p>KABI Milk processing /</p>	<p>Wastewater treatment; solid waste</p>	<p>The KABI dairy company operates a wastewater treatment facility installed by Slovenian experts. No</p>

dairy	management; hygiene; and health.	wastewater quality data are available, but the municipal wastewater management company collects the majority of material with a potential to create water pollution. The company deposits solid waste in containers emptied twice weekly by the municipal public waste collection company. The company has an Environmental Impact Assessment permit issued by the Ministry of Environment, and receives inspection visits from authorities. No problems were reported. The company remains in the final stages of receiving HACCP certification, which should create a further incentive for proper hygiene maintenance.
MOEA Cultivating and processing of fruits and vegetables	Cooling chamber maintenance.	The company has purchased cooling/freezing equipment and has begun installing it. All newly installed equipment functions properly, with the remainder expected to enter function soon. So far, it has not carried out any maintenance activities.
Ask Foods Cultivating and processing of fruits and vegetables	HACCP certification; storage of chemicals used for cleaning; maintenance of gas reservoir; use of PPEs.	The company is HACCP certified. Water quality is controlled by the Public Health Institute. The company has developed an emergency plan and has placed fire extinguishers at visible and easily accessible places. Its gas reservoir is controlled, "Gazi". No problems were seen in terms of hazardous materials (chemicals for cleaning) storage. Solid waste is collected by the contracted company and transferred to the legal landfill in Gjilan.
Hit Flores Non-wood forest products collection	Sustainable harvesting of NWFP; maintenance of cooling chamber; occupational hazard.	The owner of company reported to have organized appropriate trainings for its workers in order to ensure they collect NWFP following sustainable harvesting guidelines. The company has installed cooling equipment provided by KPEP. It has a two-year maintenance contract with the company "Termocooling." The company is still investing in infrastructure, including construction of a new, high-quality storage facility. The company is "Bio" certified.

<p>Las Palmas Vegetable production, and vegetable seed production and trading</p>	<p>Coal used for heating purposes; wastewater management.</p>	<p>Las Palmas has begun to reconstruct and improve its wastewater collection system. It is looking for donors to help improve its heating system, shifting from coal to a gas or briquette/pellet-fired system.</p>
<p>Eminel Production of cardboard crates for fruits and vegetables</p>	<p>Waste management; noise pollution; PPE.</p>	<p>Eminel recently received new equipment. No activity was underway during the visit; consequently no problems were seen regarding waste management, noise pollution or PPE. KPEP recommended Eminel develop a fire-risk management plan, and to purchase and deploy an adequate number of fire extinguishers.</p>
<p>Fitimi Production, collection and conservation of vegetables</p>	<p>Organic waste management; PPE; HACCP.</p>	<p>The owner reports the firm generates very low quantities of organic waste, which it then composts on the company's owner land. No problems were seen in terms of using the PPE. The company plans to begin the HACCP certification process in the near future.</p>

Performance Based-Management System

1. Summary

During Q1, KPEP-supported firms achieved significant growth in sales, investment and full-time employment. The cumulative target increase in sales to date was originally set at 42.7 million Euros, using the target for both Components One and Two. The cumulative Life of Project (LOP) increase in sales is 50.2 million Euros, which means that the project has already exceeded not only the target increase to date, but also the target increase in sales for the entire

LOP. The main contributors to the increase in sales are the agriculture sector, with 40.4 percent; construction with 24.3 percent; and forestry and wood processing with 20.8 percent; while the tourism sector contributed 3.7 percent; the ICT sector 8.1 percent; the BSP sector contributed 1.6 percent; and other sectors 1.0 percent. At the sub-sector level, for the first time during the KPEP project, the fruit and vegetable sub-sector leads with its share of the overall increase. The share of the fruit and vegetable sub-sector in the overall increase is 21 %. Currently, three sub-sectors contribute almost equally to the overall

Progress to Date Highlights			
	Q1 Y4 Target	Q1 Y4 Actual	Performance Evaluation
Increase in sales ² , million Euros	42.7	89.3	↑
Increase in investment, million Euros	17.0	29.2	↑
Increase in exports, million Euros	-	24.9	↑
Increase in number of full-time jobs ³	4,282	4,174	↓
Number of enterprises assisted in KPEP database	118	126	↑
Number of business services providers (BSPs)	36	16	↓
Number of people trained	2,625	6,669	↑

² This figure combines sales increase in targeted sectors and BSPs.

³ This figure combines FTE jobs increase in targeted sectors and BSPs.

increase in sales: road construction, with 20.5 percent; while the dairy and wood processing subsectors enjoy the same share, or 20.2 percent apiece.

Cumulative LOP investment growth is 29.2 million Euros, or already in excess of the LOP target of 20.0 million Euros. The main contributors to the increase in investment are companies in the construction sector, with 41.6 percent; agriculture with 38.6 percent; and forestry and wood processing sector with 17.1 percent. Finally, the ICT, tourism and recycling sectors contributed altogether 2.7 percent.

At the sub-sector level, road construction remains the main contributor to the increase in investment, with 21.9 percent. The construction materials sub-sector contributed 19.7 percent, dairy sub-sector 16.7 percent, the wood processing sub-sector 15.6 percent, and fruit and vegetable sub-sector 14.0 percent. During Q1 alone, investments increased by 2.9 million Euros across all sectors.

KPEP-assisted companies have added 4,585 full-time equivalent (FTE) jobs since the beginning of the project. The various KPEP sectors and components account for this increase as follows: agriculture sector with 38.7 percent, the construction sector 14.7 percent, forestry and wood processing 14.9 percent, BSPs 9.0 percent, ICT 5.4 percent, tourism sector 2.9 percent, and recycling 1.2 percent. Other sectors, including textile and the "North Project" contributed 13.3 percent. At the sub-sector level, the fruit and vegetable sub-sector remains the main contributor to the increase in FTE jobs, with 16.1 percent. Meanwhile, the wood-processing sub-sector contributed 14.0 percent, road construction sub-sector 9.1 percent, the dairy sub-sector 10.0 percent and BSPs 9.0 percent.

During Q1 alone, there was a gain of 659 FTE jobs across all sectors, a figure that represents the largest increase since the start of the KPEP project.

Cumulative LOP data for exports show an increase over the baseline of 24.9 million Euros. The exports/imports coverage ratio for KPEP-supported sectors is at 50.2 percent. The Kosovo-wide data show a 13.7 percent exports/imports coverage ratio for the CY 2011 (data for December 2011 had not been published as of this writing). The main contributors to the increase in exports at KPEP-supported enterprises are the construction sector, with 44.0 percent, and agriculture with 31.2 percent. At the sub-sector level, road construction is the main contributor to the increase in exports, with 42.4 percent, followed by the fruit and vegetable sub-sector with 23.2 percent and the wood-processing sub-sector with 15.8 percent.

Below is the performance of KPEP sectors and sub-sectors for the LOP on the following key indicators: sales, exports, jobs and investment. Note that sales, export and investment figures are in Euros.

Sector	Sub-sector	Increase in sales	Increase in exports	Increase in FTE	Increase in investment
Agriculture		36,080,112	7,757,976	1,774.46	11,254,395
	Dairy	18,032,894	1,228,586	456.35	4,880,644
	Fruits and vegetables	18,773,196	5,762,256	736.39	4,091,080
	Non-wood forest products	(1,184,613)	767,134	410.32	1,975,571
	Poultry meat processing	458,635		171.41	307,100
Construction		21,678,385	10,932,947	672.24	12,129,678
	Construction Materials	3,354,759	382,887	255.84	5,733,466
	Road Construction	18,323,626	10,550,060	416.40	6,396,212
ICT		7,263,497	96,460	246.30	344,344
	ICT	7,263,497	96,460	246.30	344,344
Tourism		3,266,000	1,567,199	133.19	430,397
	Tourism	3,266,000	1,567,199	133.19	430,397
Recycling		143,187	120,235	55.31	5,701
	Recycling	143,187	120,235	55.31	5,701
Other		804,206	467,611	608.21	20,000
	Other	804,206	467,611	608.21	20,000
Forestry & Wood Processing		18,606,926	3,924,277	684.69	4,982,253
	Wood Processing	18,048,565	3,923,297	640.83	4,563,080
	Forestry	558,361	980	43.85	419,173
BSPs		1,444,113	-	411.04	-
	BSPs	1,444,113	-	411.04	-
Grand Total		89,286,426	24,866,705	4,585.44	29,166,768

No new enterprises were added during Q1. The distribution of the total number of enterprises by sector is as follows: agriculture sector with 49 enterprises, construction sector with 23 enterprises, forestry and wood processing with 22 enterprises, tourism sector with 16 enterprises, ICT with 10 enterprises and recycling sector with 4 enterprises. The textile sector and food processing/wheat production have one company each as well. There are 16 business service providers in the client database of Component Two.

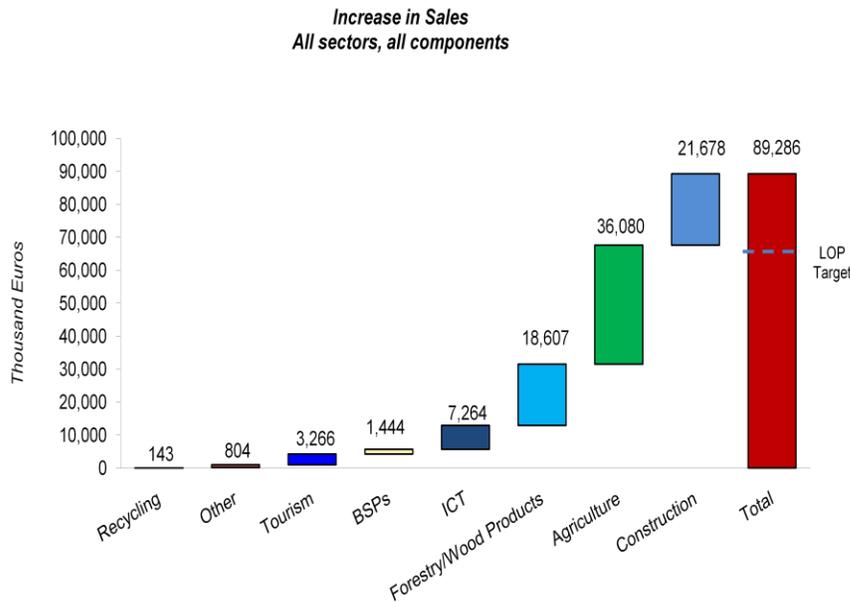
The data on people trained show that 6,669 people have received training since the start of the project, 4,982 of them male and 1,687 female. Below is the number of people trained, disaggregated by the type of the training for the LOP:

- 2,602 people participated in KPEP-supported presentations

- 2,670 attended trainings,
- 36 participated in the twinning partner training program
- 133 participated in roundtables
- 858 participated in different workshops
- 224 participated in conferences organized or supported by KPEP
- 7 individuals participated in study trips
- 40 participated in B2B events organized or supported by KPEP
- 99 participated in field day events organized or supported by KPEP

2. Sales

The total increase in sales reached 89.3 million Euros, both in enterprises under Component



One (agriculture, construction, forestry and wood products, ICT and tourism) and BSPs, under Component Two. KPEP has achieved a 50.7 percent growth in sales compared to the baseline. Target increase was set in the beginning of the project at 24.4 percent over the annualized baseline.

The construction and agriculture sectors remain the main contributors to the sales growth. The main contributors to this increase are the companies presented in the table below:

Company name	Sector	Euro increase in sales
Lesna	Wood Processing	14,905,253
Abi	Dairy	9,752,020
Eurokos	Road Construction	7,249,283
Cacctus	ICT	6,666,983
Agrounion	Fruits and vegetables	6,443,285
Pestova	Fruits and vegetables	6,386,808
Devolli	Dairy	6,360,251
Eurofood	Fruits and vegetables	4,267,228
Lin Projekt	Construction Materials	3,546,486
Eskavatori	Road Construction	3,133,187
Papenburg & Adriani	Road Construction	2,620,746
Fibula Travel	Tourism	2,137,000
Bejta Commerce	Road Construction	1,911,357
Graniti	Road Construction	1,577,466
KAG Asphalt	Road Construction	1,226,187

These 15 companies account for almost 90 percent of the total increase in sales of the KPEP beneficiary companies in supported sectors.

During this quarter alone, the sales of the companies in all sectors, including BSPs, reached 31,339,579 Euros. Comparing to the quarterly baseline for the same period of the previous year of 14,922,015 Euros, this provides for an increase in sales of 16,417,564 Euros. The highest increase was in agriculture (6.8 million), ICT (4.5 million) and forestry and wood processing sector (4.4 million Euros).

3. Investment

The total value of investments reached 29.2 million Euros, thus already exceeding the LOP target of 20 million Euros. The construction sector continues to drive investment growth among

KPEP firms although

its share of this

growth dropped from

45.7 percent of the

project's total

reported increase in

investment in last

quarter to 41.6

percent. This is the

result of KPEP's

redirecting its support

from road

construction companies to the companies in the construction materials sub-sector and

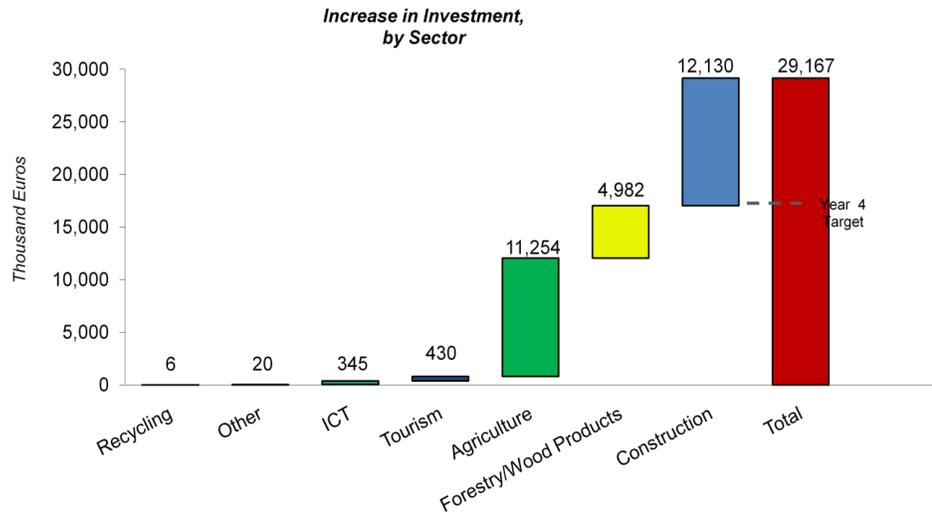
agriculture.

However, the investments made by these companies remained in the sector performance data

and still represent the highest investment values. The agriculture sector increased its share to

38.6 percent, while the forestry and wood processing sector contributed to an increase in

investments of 17.1 percent. The share of other sectors is at 2.7 percent.



Below is the list of main contributors to the increase in investments:

Company name	Sector	Euro increase in investment
Lesna	Wood Processing	2,208,526
Eskavatori	Road Construction	2,149,337
Lin Projekt	Construction Materials	1,700,000
Renelual Tahiri	Construction Materials	1,670,832
Devolli	Dairy	1,400,000
Papenburg & Adriani	Road Construction	1,375,431
Fitorja	Construction Materials	1,338,000
Pestova	Fruits and vegetables	1,288,474
Tefik Çanga Design	Wood Processing	1,067,000
Graniti	Road Construction	1,007,501
Rugove	Dairy	841,503
KAG Asphalt	Road Construction	798,000
Kabi	Dairy	720,000
Hit - Flores	Non-wood forest products	684,500
Eurolona	Dairy	663,660
Bylmeti	Dairy	587,651
Agroprodukt-Syne	Non-wood forest products	572,421
Bejta Commerce	Road Construction	548,833
Etlinger	Fruits and vegetables	506,000

In total, 109 of 126 KPEP-supported client enterprises in Component One have made investments since the KPEP project began.

During Q1 alone, the investments made by companies in all sectors, including BSPs, equaled 2,929,001 Euros. The highest increase was in agriculture (1.4 million Euros), and forestry and wood processing sector (1.3 million Euros).

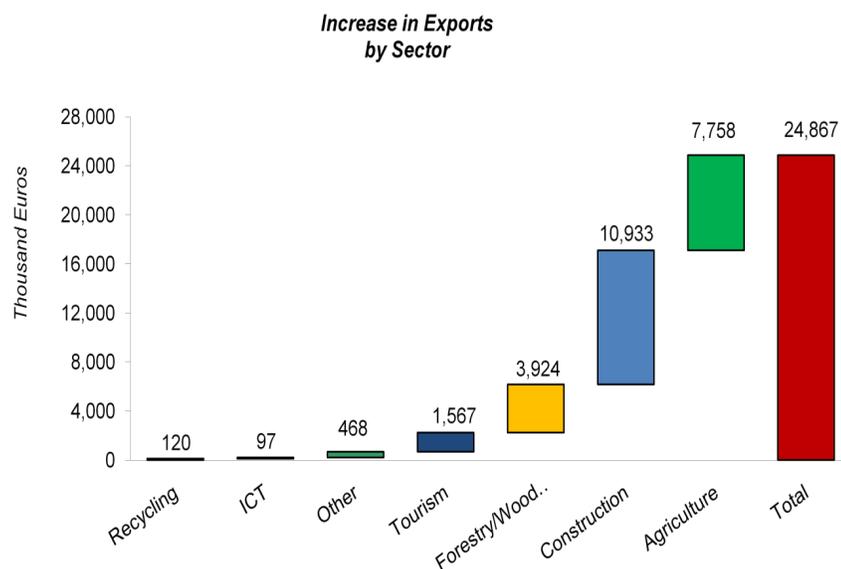
4. Exports

The increase in exports to date for the LOP is 24.9 million Euros. Below is a list of the main exporters that are

KPEP

beneficiaries/client enterprises. The construction sector is still the main contributor to the increase in exports at KPEP-supported enterprises, with 44.0 percent, followed by the agriculture sector, with 31.2 percent. At

the sub-sector level, the main contributors are road construction sub-sector with 42.4 percent, fruit and vegetable sub-sector with 23.2 percent and the wood-processing sub-sector with 15.8 percent.



Below is the list of main contributors to the increase in exports, by sector/ sub-sector:

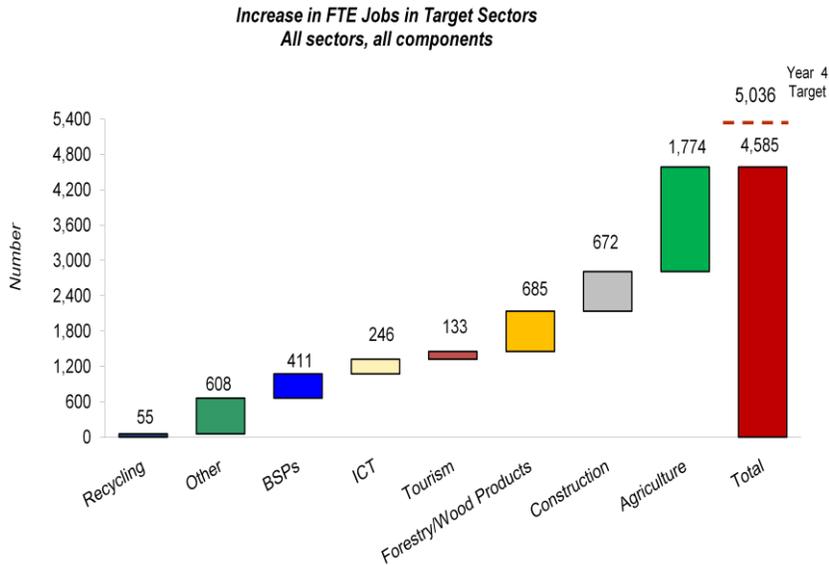
Company name	Sub-sector	Euro increase in Exports
Eurokos	Road Construction	6,498,559
KAG Asphalt	Road Construction	3,892,911
Lesna	Wood Processing	3,711,338
Pestova	Fruits and vegetables	2,724,252
Hit - Flores	Non-wood forest products	1,351,520
Devolli	Dairy	848,400
Agroalbi	Fruits and vegetables	790,100
Etlinger	Fruits and vegetables	710,000
As-Promet	Non-wood forest products	687,602
Eurofood	Fruits and vegetables	662,276
Fibula Travel	Tourism	515,510
Kosovatex	Other	467,611
Prishtina, Hotel	Tourism	428,203
Bylmeti	Dairy	366,086
Ferplast	Construction Materials	312,514
V-Kelmendi	Fruits and vegetables	211,000

In all, 63 companies have exported products since the start of KPEP. The main contributor to the overall increase in exports remains the construction sector, which accounts for 41.6 percent. The agriculture sector contributed 38.6 percent and the wood and processing sector with 17.1 percent. The share contributed by other sectors is 2.7 percent.

During the last quarter, the total value of exports of KPEP-supported enterprises in all targeted sectors was 2.7 million Euros. When comparing to the baseline data, there was an increase in exports of 1.9 million Euros. Agriculture sector leads in exports with 1.7 million Euros. During the same period imports were 8.8 million Euros. This provides for an export/import coverage ratio of 30.7 percent for this quarter alone. The export/import coverage ratio for the LOP is 50.2 percent. During the LOP, exports totaled 36,661,743 Euros while imports were 73,100,521 Euros.

5. Full Time Jobs

The total LOP increase in FTE jobs is 4,585, of which 4,174 were created in enterprises in



Component One and 411 in the business service providers of Component Two. During the last quarter, 659 new FTE jobs were created in enterprises that operate under Component Two sectors, and one FTE job in Component Two. The share of the agriculture sector to the LOP increase in FTE jobs is 38.7 percent, construction sector 14.7

percent share, wood processing and forestry 14.9 percent, while other sectors, including the FTE jobs created through KPEP support in the north of Kosovo, contributed 31.7 percent altogether (BSPs 9.0 percent, North Kosovo project 13.3 percent, ICT 5.4 percent, tourism 2.8 percent and recycling 1.2 percent).

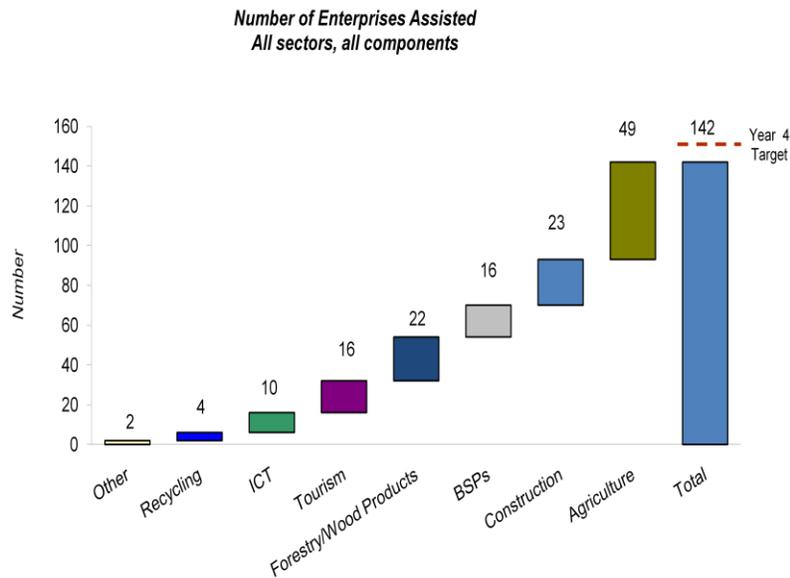
Below are the main contributors to the increase in FTE jobs since the beginning of KPEP:

Company name	Sector	Increase in FTE jobs
Kosovatek	Textile	273.25
Lesna	Wood Processing	171.92
Konsoni	Poultry Meat Processing	165.58
Pestova	Fruits and Vegetables	162.08
Cactus	ICT	160.24
Eurofood	Fruits And Vegetables	138.38
Tefik Çanga Design	Wood Processing	134.09
Devolli	Dairy	121.56
Agroprodukt-Syne	Non-Wood Forest Products	119.64
Bejta Commerce	Road Construction	108.89
Eurokos	Road Construction	104.39
Lin Projekt	Construction Materials	94.10
Magic Ice	Dairy	89.16
Etlinger	Fruits And Vegetables	89.11
Ukaj/Elnor	Wood Processing	88.66
Eskavatori	Road Construction	83.74
Gacaferri	Wood Processing	75.15
Hit - Flores	Non-Wood Forest Products	73.34
Bylmeti	Dairy	72.93

During this quarter alone, the total value of FTE of the companies in all sectors, including BSPs, was 813. Comparing to the quarterly baseline for the same period of the previous year of 153 FTEs, this provides for an increase in FTE of 660. The highest increase was in agriculture (216 FTE), minority projects in North Kosovo (166 FTE) and forestry and wood processing sector (113 FTE).

6. Number of Enterprises Assisted

The KPEP client database includes 126 enterprises in Component One and 16 enterprises



(BSPs) in Component Two, as of the end of Year 3. These companies have received KPEP assistance and have in turn agreed to share their performance data. (Note that KPEP reaches much further into the private sector, assisting more than 670 companies overall.) Of the 126 enterprises in Component One, 49 enterprises belong to the agriculture sector, 23 are

construction enterprises, and 22 are in the forestry and wood processing sector, 10 are in ICT, 16 enterprises belong to the tourism sector, four to the recycling sector, one is in textiles and one in food processing.

No new companies were added to the PBMS system during this quarter.

7. Transactional data

During Q1, KPEP recorded the below results from three recycling companies: AG group /Pristina, Grinteh/Ferizaj and Mea/Ferizaj. These companies increased the network of collection thus increasing the quantity of recyclable materials that in turn affected the business growth of the companies, as well as increased employment. The firms engaged informal collectors for a total of 4,564 working hours over Q1.

- AG group /Pristina: 2,203 working hours
- Grinteh/Ferizaj: 2,163 working hours
- Mea/Ferizaj: 198 working hours

8. 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 (LOP).

- Data collection

KPEP specialists worked with client enterprises to establish the baseline data. Initial baseline data are recorded for the period just prior to the implementation of those activities that contribute to the 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, the baseline includes jobs, sales, production, investments, foreign direct investment and partnerships data. 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 included in the quarterly reports provided to USAID.

- Quality of the data

The sector specialists are responsible for the first-level data quality control. The quality checks have been made to ensure that those data collected and included in the database are both 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 KPEP interventions contributed to the results and thus may be attributed to the project.

- Status of the Indicators

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

9. Attribution

The KPEP Attribution Process represents a method for assigning results more specifically to KPEP interventions. In the past, KPEP (and KCBS before it) captured the quarterly revenue, investment, and job data from its client partners and reported them exactly as they had been received, regardless of the level of assistance provided to that firm. KPEP 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 One work, enabling management to compare results versus cost across sectors. This exercise will add valuable insight into the effectiveness of KPEP's interventions in specific sectors and can inform 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, 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 perspectives to debate and defend assigned percentages, come to consensus and consistency across sectors, and discuss problem areas (cases where sales fall 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: Each quarter, sector specialists will assign a ranking for each company based on what percentage of the firm’s quarterly sales, investment or jobs created for which KPEP can reasonably take credit. 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 above)
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: 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.

1. KPEP attribution on sales

1.1. Total KPEP

Total Quarterly Sales KPEP Firms	€ 31,745,979
Total KPEP Attributable Sales	€ 12,181,939
Attribution % for the quarter	38.4%
Total Quarterly Sales Non-KPEP Firms	€ 0
Total Non-KPEP Attributable Sales	€ 0
Attribution % for the quarter	0%
Total Sales	€ 31,745,979
Total KPEP Attributable Sales	€ 12,181,939
Total Quarter Attribution %	38.4%

1.2. By sub-sector

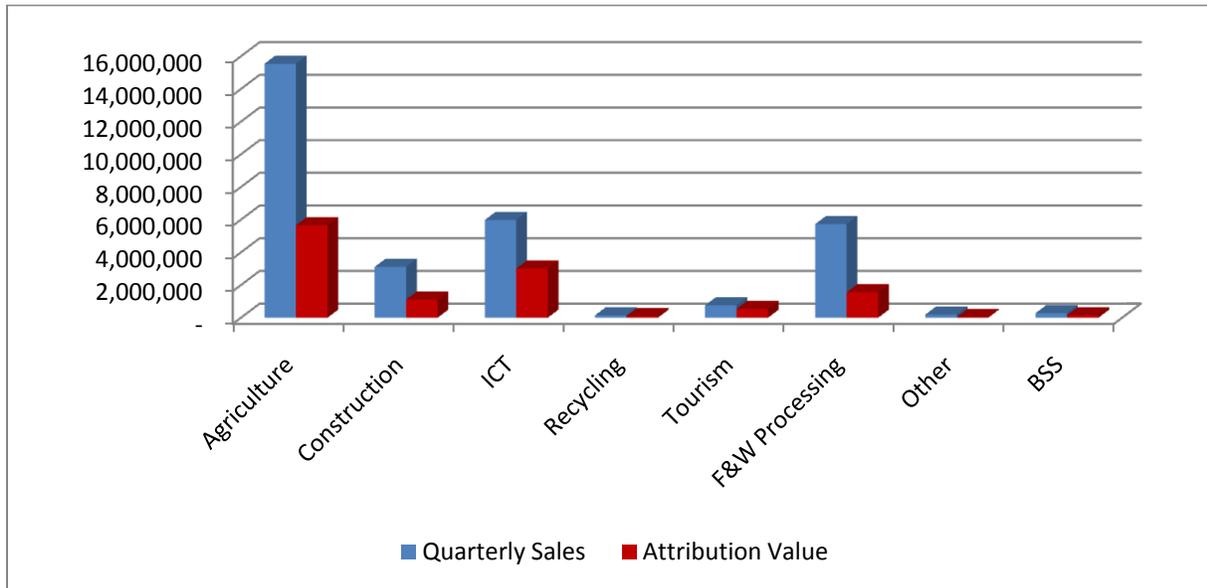
Sector	Sub-sector	Net quarterly data in Euros	KPEP attribution in Euros	% Attribution
Agriculture		15,545,254	5,655,536	36.4%
	Dairy	6,085,369	1,783,131	29.4%
	Fruits and vegetables	8,389,034	3,425,946	40.8%
	NWFP	890,289	346,177	38.9%
	Poultry meat processing	200,562	100,281	50.0%
Construction		3,111,177	1,110,570	35.7%
	Const. Materials	3,111,177	1,110,570	35.7%
	Road Construction	-	-	0%
ICT		5,983,310	3,008,333	50.3%
	ICT	5,983,310	3,008,333	50.3%
Recycling		145,294	108,971	75.0%
	Recycling	145,294	108,971	75.0%
Tourism		758,773	537,528	70.8%
	Tourism	758,773	537,528	70.8%
Forestry and Wood Processing		5,730,717	1,560,329	27.2%
	Wood Processing	5,503,114	1,503,428	27.3%
	Forestry	227,603	56,901	25.0%
Other		193,726	48,432	25.0%
	Other	193,726	48,432	25.0%
BSS		277,728	152,242	54.8%
	BSS	277,728	152,242	54.8%
Grand Total		31,745,979	12,181,939	38.4%

Of the total value of sales of 31,745,979 Euros, KPEP's attribution is 12,181,939 Euros, or 38.4% of the total quarterly sales of KPEP clients.

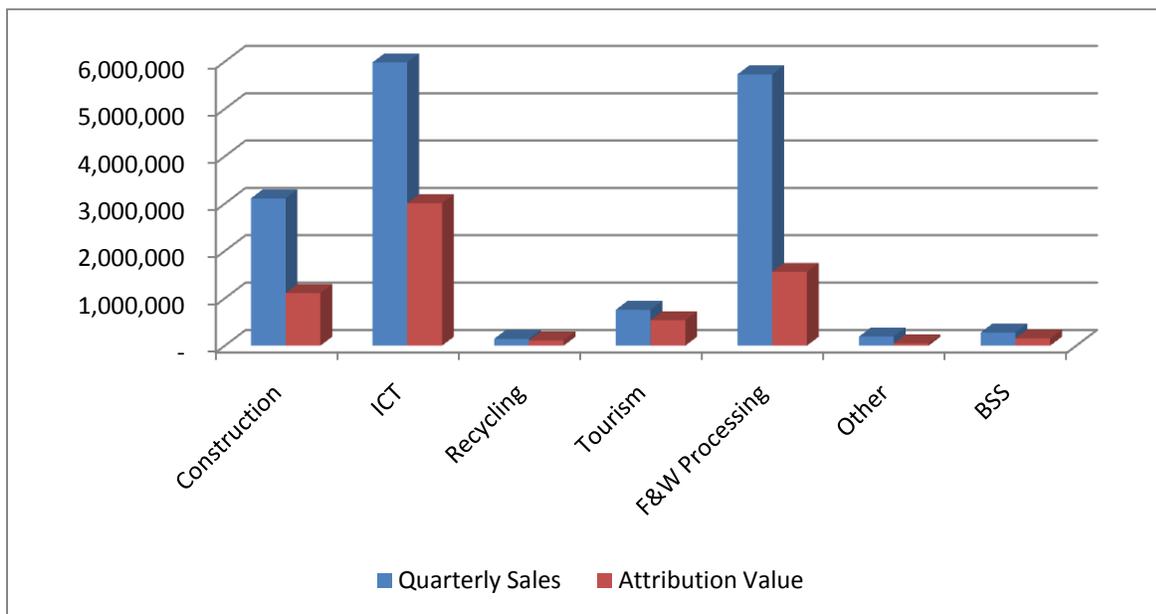
Below is a graphic presentation of the attribution of sales per sector. In order to present the KPEP impact in all sectors, below are two graphs: in the first one are presented all sectors,

while in the second graph, the data on Agriculture is removed to provide better picture of attribution data in other sectors:

All sectors:



Without Agriculture sector:



2. KPEP attribution on exports

2.1. Total KPEP

Total Quarterly Exports KPEP Firms	€ 2,673,642
Total KPEP Attributable Exports	€ 1,185,880
Attribution % for the quarter	44.4%
Total Quarterly Exports Non-KPEP Firms	€ 0
Total Non-KPEP Attributable Exports	€ 0
Attribution % for the quarter	0%
Total Exports	€ 2,673,642
Total KPEP Attributable Exports	€ 1,185,880
Total Quarter Attribution %	44.4%

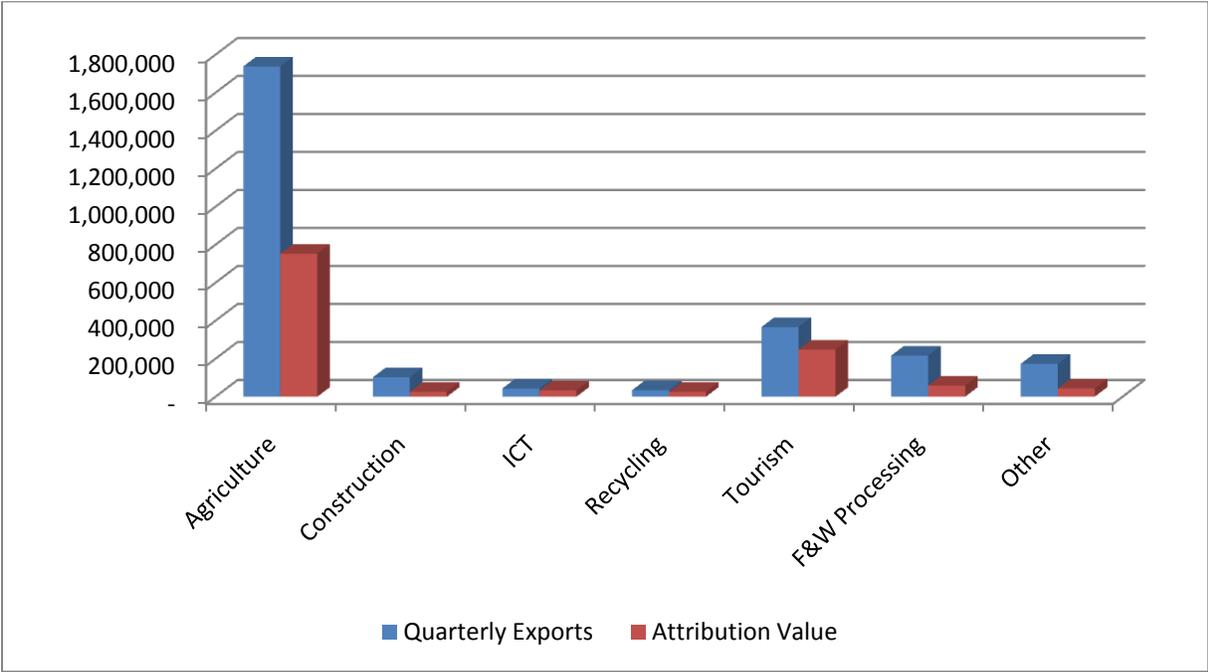
2.2. By sub-sector

Sector	Sub-sector	Net quarterly data in Euros	KPEP attribution in Euros	% Attribution
Agriculture		1,738,319	752,871	43.3%
	Dairy	113,238	28,310	25.0%
	Fruits and vegetables	832,311	408,264	49.1%
	NWFP	792,770	316,298	39.9%
	Poultry meat processing	0	0	0.0%
Construction		102,044	25,511	25.0%
	Const. Materials	102,044	25,511	25.0%
	Road Construction	0	0	
ICT		43,438	32,579	75.0%
	ICT	43,438	32,579	75.0%
Recycling		34,035	25,526	75.0%
	Recycling	34,035	25,526	75.0%
Tourism		366,796	247,920	67.6%
	Tourism	366,796	247,920	67.6%
Forestry & Wood Processing		216,184	58,267	27.0%
	Wood Processing	215,204	58,022	27.0%
	Forestry	980	245	25.0%
Other		172,826	43,207	25.0%
	Other	172,826	43,207	25.0%
Grand Total		2,673,642	1,185,880	44.4%

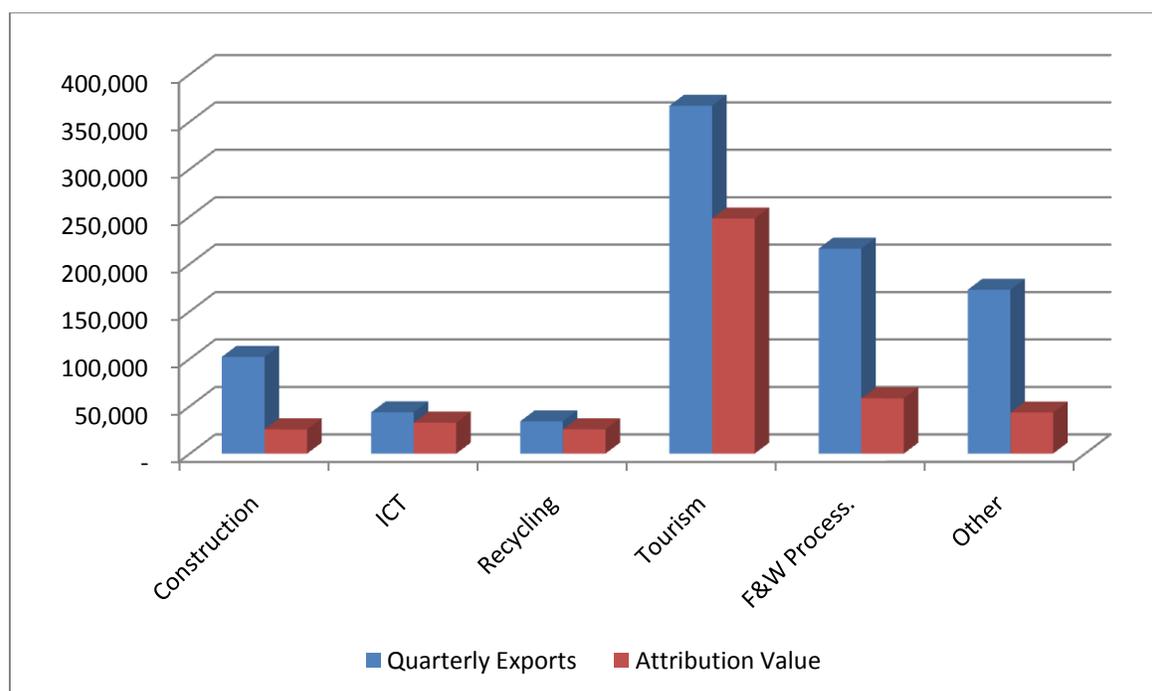
Of the total value of exports of 2,673,642 Euros, KPEP's attribution is 1,185,880 Euros, or 44.4% of the total quarterly export sales of KPEP's clients.

Below is a graphic presentation of the attribution of exports per sector. In order to present the KPEP impact in all sectors, below are two graphs: in the first one are presented all sectors, while in the second graph, the data on Agriculture is removed to provide better picture of attribution data in other sectors:

All sectors:



Without Agriculture sector:



3. KPEP attribution on investment

3.1. Total KPEP

Total Quarterly Investments KPEP Firms	€ 2,929,001
Total KPEP Attributable Investments	€ 1,015,233
Attribution % for the quarter	34.7%
Total Quarterly Investments Non-KPEP Firms	€ 0
Total Non-KPEP Attributable Investments	€ 0
Attribution % for the quarter	0%
Total Investments	€ 2,929,001
Total KPEP Attributable Investments	€ 1,015,233
Total Quarter Attribution %	34.7%

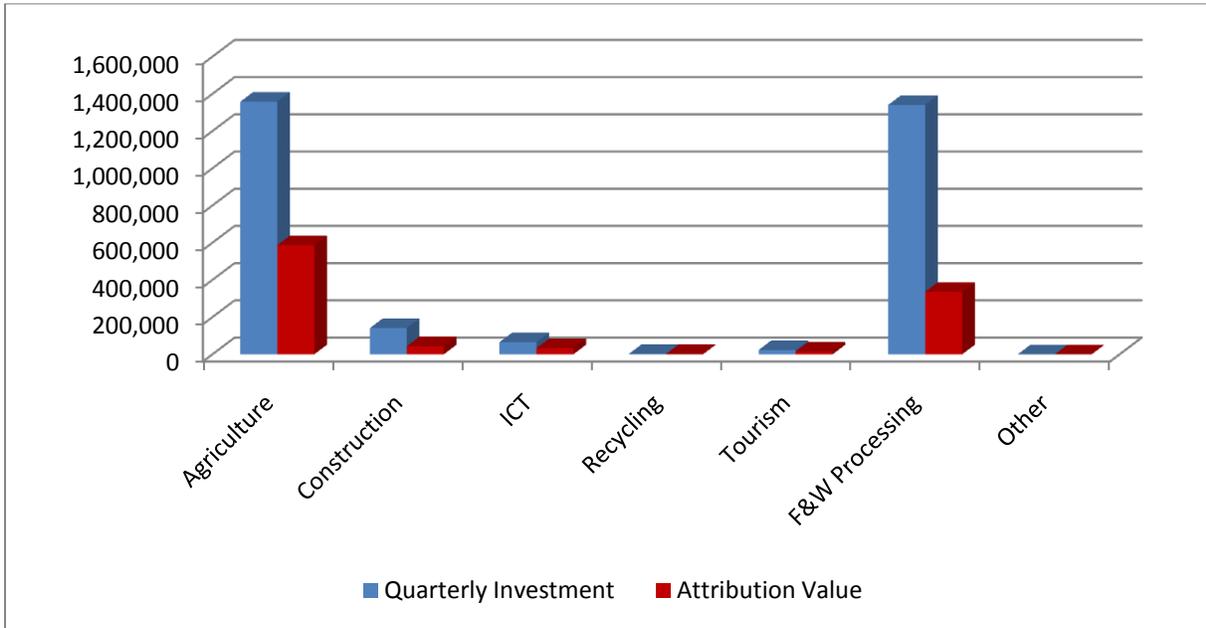
3.2. By sub-sector

Sector	Sub-sector	Net quarterly data in Euros	KPEP attribution in Euros	% Attribution
Agriculture		1,357,590	586,316	30.9%
	Dairy	563,639	241,115	42.8%
	Fruits and vegetables	622,352	270,902	43.5%
	NWFP	168,000	72,500	43.2%
	Poultry meat processing	3,600	1,800	50.0%
Construction		140,623	43,500	30.9%
	Construction Materials	140,623	43,500	30.9%
	Road Construction	-	-	0%
ICT		64,736	32,794	50.7%
	ICT	64,736	32,794	50.7%
Recycling		2,570	1,928	75.0%
	Recycling	2,570	1,928	75.0%
Tourism		22,900	14,675	64.1%
	Tourism	22,900	14,675	64.1%
Other		0	0	0%
	Other	0	0	0%
Forestry and Wood Processing		1,340,581	336,020	25.1%
	Wood Processing	1,263,808	316,827	25.1%
	Forestry	76,773	19,193	25.0%
Grand Total		2,929,001	1,015,233	34.7%

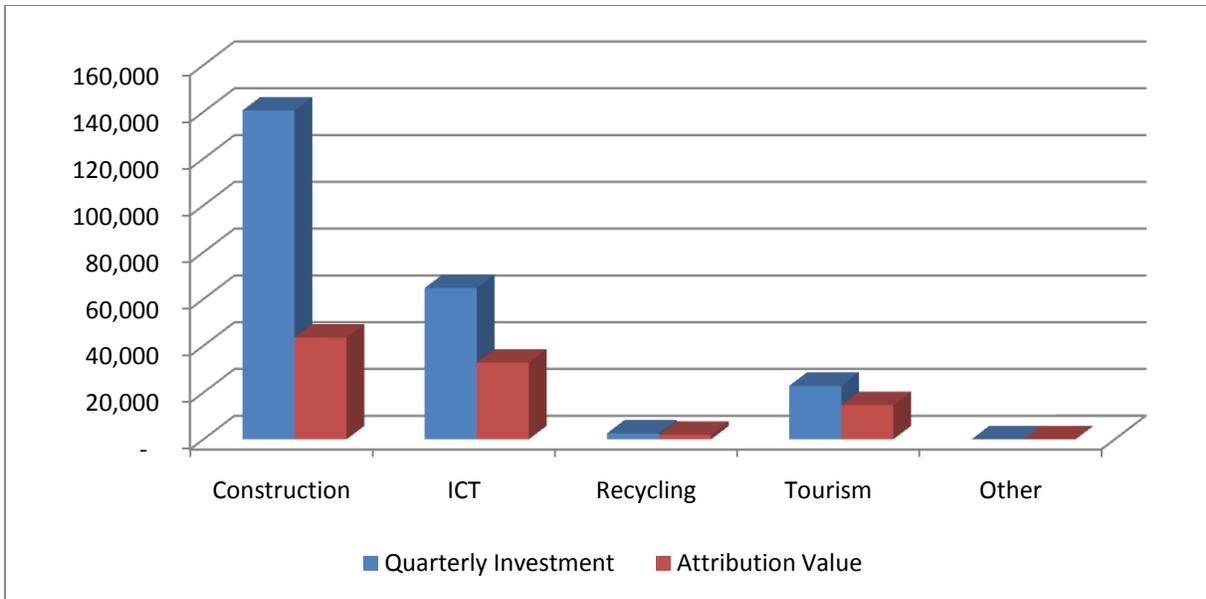
Of the total 2,929,001 Euros in investments made by KPEP clients, KPEP's attribution is 1,015,233 Euros, or 34.7%.

Below is a graphic presentation of the attribution of investments per sector. In order to present the KPEP impact in all sectors, below are two graphs: in the first one are presented all sectors, while in the second graph, the data on Agriculture, and Forestry and Wood Processing is removed to provide better picture of attribution data in other sectors:

All sectors:



Without Agriculture, and Forestry and Wood Processing:



4. KPEP attribution on employment

4.1. Total KPEP

Total Quarterly FTE KPEP Firms	812.97
Total KPEP Attributable FTE	259.03
Attribution % for the quarter	31.9%
Total Quarterly FTE Non-KPEP Firms	-
Total Non-KPEP Attributable FTE	-
Attribution % for the quarter	0%
Total FTE	812.97
Total KPEP Attributable FTE	259.03
Total Quarter Attribution %	31.9%

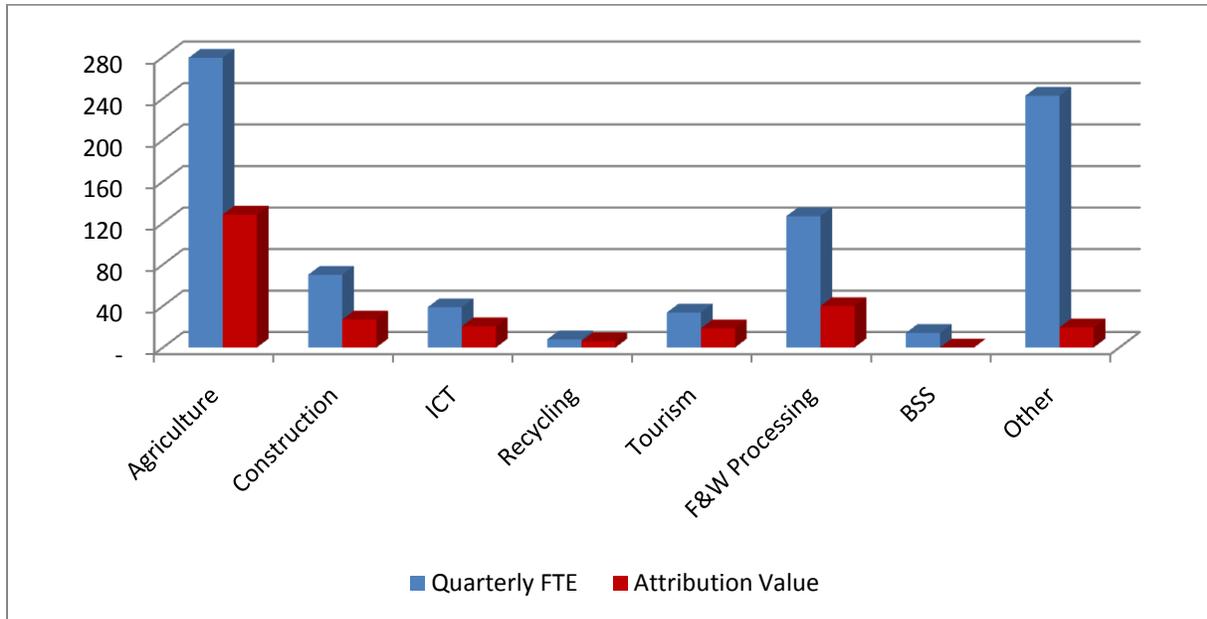
4.2. By sub-sector

Sector	Sub-sector	Net quarterly data	KPEP attribution	% Attribution
Agriculture		279.2	128.1	45.9%
	Dairy	66.9	26.8	40.0%
	Fruits and vegetables	168.5	83.1	49.3%
	NWFP	26.5	9.7	36.4%
	Poultry meat processing	17.3	8.7	50.0%
Construction		70.1	27.0	38.5%
	Construction Materials	70.1	27.0	38.5%
	Road Construction	-	-	0%
ICT		38.8	20.4	52.5%
	ICT	38.8	20.4	52.5%
Recycling		7.8	5.9	75.0%
	Recycling	7.8	5.9	75.0%
Tourism		33.7	18.4	54.7%
	Tourism	33.7	18.4	54.7%
Other		242.8	19.3	7.9%
	Other	242.8	19.3	7.9%
Forestry and Wood Processing		126.6	40.0	31.6%
	Wood Processing	116.2	37.4	32.2%
	Forestry	10.4	2.6	25.0%
BSS		14.0	0	0%
	BSS	14.0	0	0%
Grand Total		813.0	259.0	31.9%

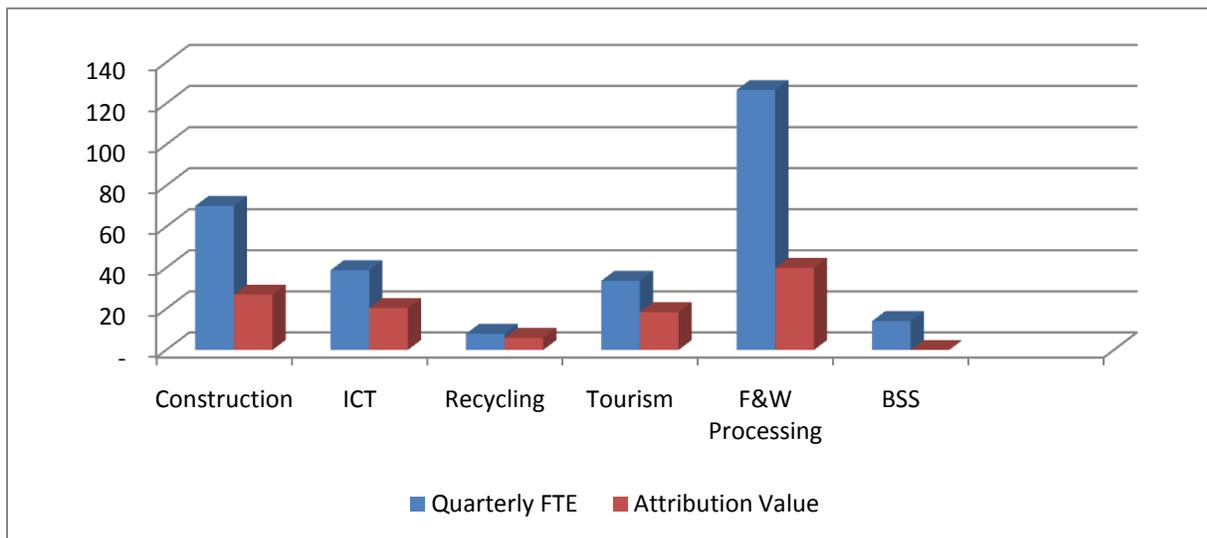
Of the 813 FTE jobs created by KPEP clients during this quarter, KPEP's attribution is 259 FTE jobs, or 31.9%.

Below is a graphic presentation of the attribution of FTE per sector. In order to present the KPEP impact in all sectors, below are two graphs: in the first one are presented all sectors, while in the second graph, the data on Agriculture, and minority projects in northern Kosovo is removed to provide better picture of attribution data in other sectors:

All sectors:



Without Agriculture and North project:



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, KPEP collected multipliers on project sectors from a wide range of sources and extrapolated multipliers available on an anecdotal basis.

One important tool 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 economic activity that then occurs as a result of that change. Consider a furniture manufacturer setting up a factory in a new location in Kosovo. Initial projections of the impact of the new plant would likely include estimates of the number of new jobs and the income earned by the newly hired workers. This is called the *direct effect*, which is an initial change in the economy.

There are other effects as well. The new plant will need goods and services supplied by other local businesses, including, say, paint, hardware and transportation. 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*.

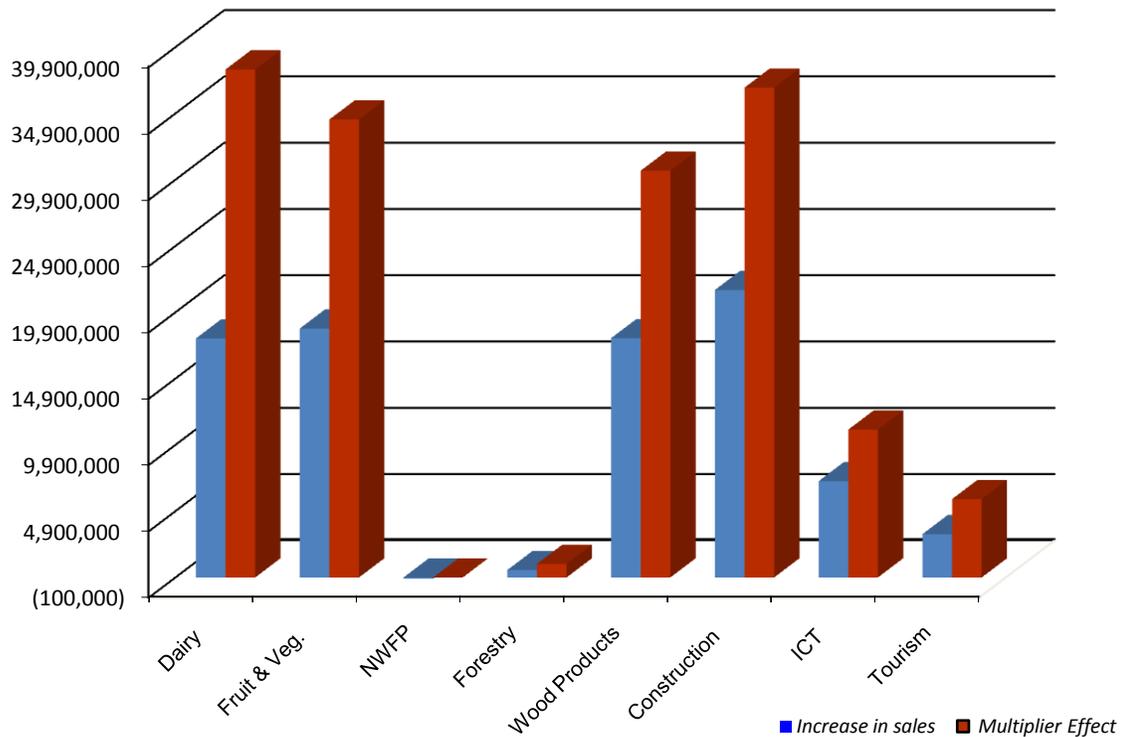
The sum of the direct, indirect, and induced effects is the *total effect*. The process of job creation and income generation continues so long as some portion of spending remains local. The multiplier is an estimate of how much additional economic activity will result from some new investment in an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

KPEP developed the average multipliers for each KPEP sector. Minor sub-sectors, such as 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	Euro increase in sales	Economic Impact	Euro Multiplier Effect
Dairy	18,032,894	2.13	38,319,900
Fruit & Veg.	18,773,196	1.84	34,542,681
NWFP	(1,184,613)	1.90	-
Forestry	558,361	1.84	1,027,384
Wood Products	18,048,565	1.70	30,682,561
Construction	21,678,385	1.70	36,946,162
ICT	7,263,497	1.54	11,149,468
Tourism	3,266,000	1.81	5,911,460
TOTAL	86,436,285		158,579,615

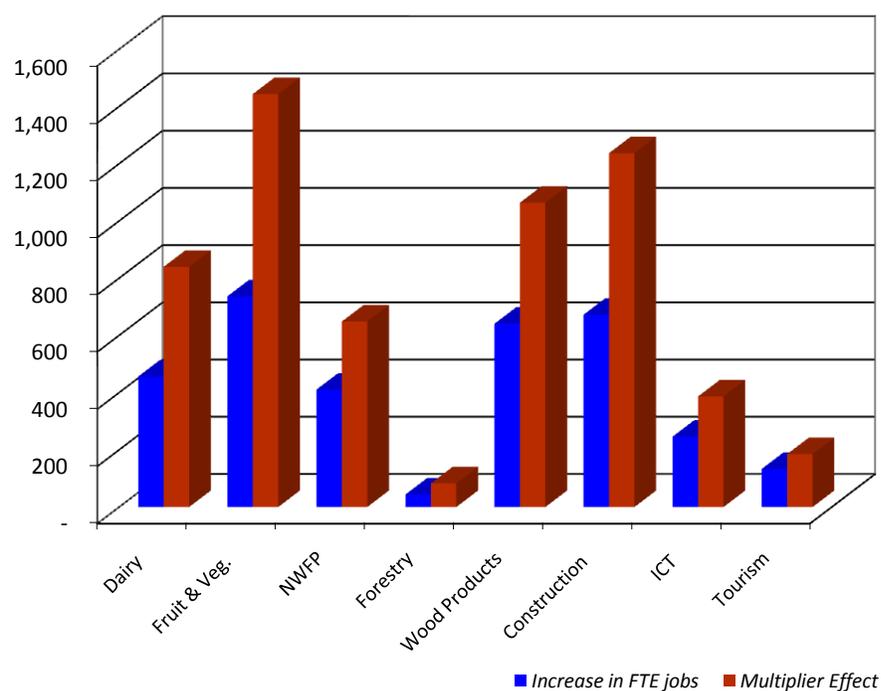


The multiplier effect for the total increase in sales for the LOP of 86,436,285 Euros is 158,579,615 Euros. On average, each 1 Euro increase in sales generates another 1.83 Euros all the way through the value chain of KPEP-targeted sectors.

If KPEP uses these data and compares them with the LOP target for sales, 50 million Euros, the project has already exceeded this target, even though the project does not have multipliers for all sectors.

2. Employment

Sector	Increase in FTE jobs	Employment	Multiplier Effect
Dairy	456.35	1.84	839.68
Fruit & Veg.	736.39	1.96	1,443.32
NWFP	410.32	1.58	648.31
Forestry	43.85	1.89	82.88
Wood Products	640.83	1.66	1,063.78
Construction	672.24	1.84	1,236.92
ICT	246.30	1.57	386.69
Tourism	133.19	1.39	185.13
TOTAL	3,339.47		5,886.72



The multiplier effect for the total increase in employment for the LOP of 3,339.47 FTE jobs is 5,886.72 FTE jobs. In average, for every one new FTE job, another 1.76 FTE jobs have been generated all the way through the value chain of KPEP-targeted sectors.

If KPEP uses these data and compares them with the LOP target on FTE jobs, or 3,500 new FTE jobs at the end of Year 3, KPEP has exceeded this target, although the project does not have multipliers for all sectors.

ANNEX 1. REPORT ON INDICATORS

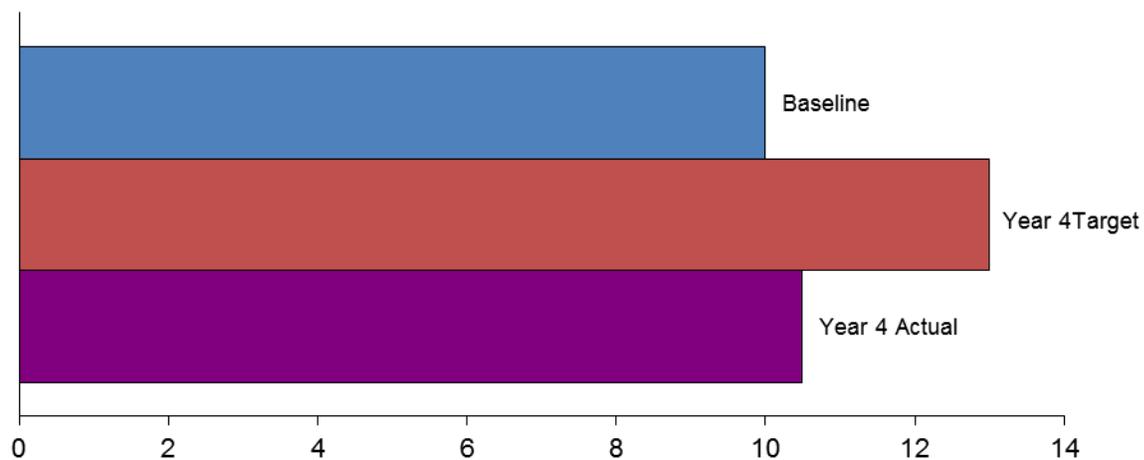
IR.1.3 (1) Accelerated Growth of Private Sector

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.

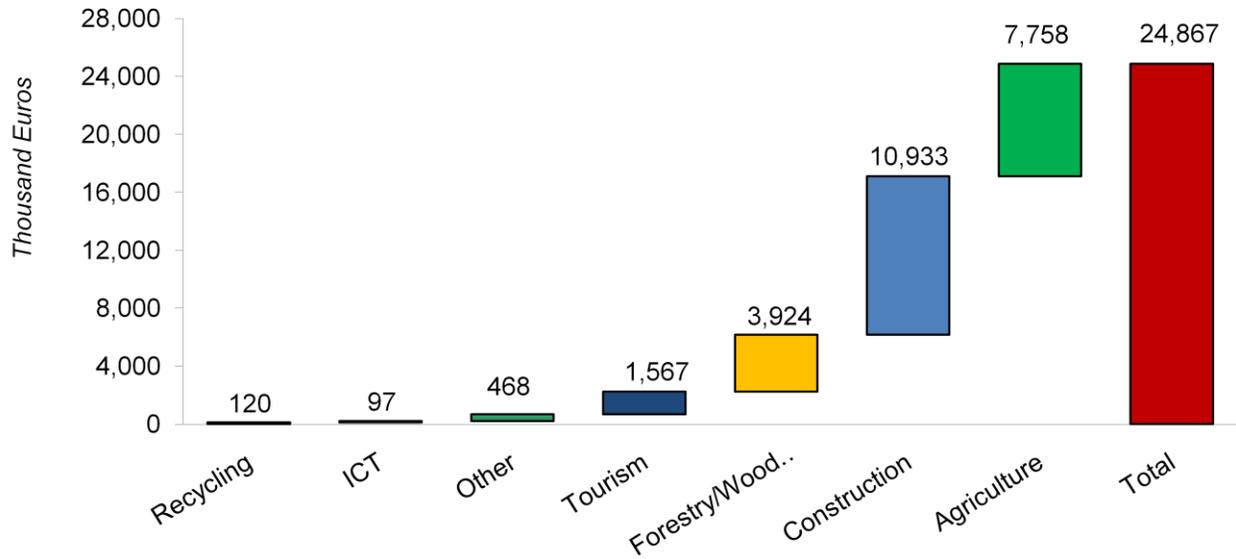
Data Source: Data were received from the Statistical Office of Kosovo (SOK).

Exports as a Percentage of Imports



Quarterly Results: This report contains the most recent available data, covering just two months, October and November 2011. The data for December 2011 were not still available at the date of the report. The value of exports over this period was 49.3 million Euros, while imports were 469.9 million Euros, which represents a 10.5 percent export/import coverage. During CY 2011, for January–November, Kosovo exported goods valued at 291.5 million Euros, and imported 2,230.7 million Euros in goods, which provides for an annual export/import coverage of 13.1%. The data collected from KPEP client enterprises indicate that exports to date were 36,661,743 Euros while imports were 73,100,521 Euros. This provides for a coverage ratio of 50.2%. Comparing to the baseline export data of KPEP clients, this represents an increase of 24.9 million Euros for the LOP. The graph below shows the increase in exports by KPEP targeted sectors.

**Increase in Exports
by Sector**



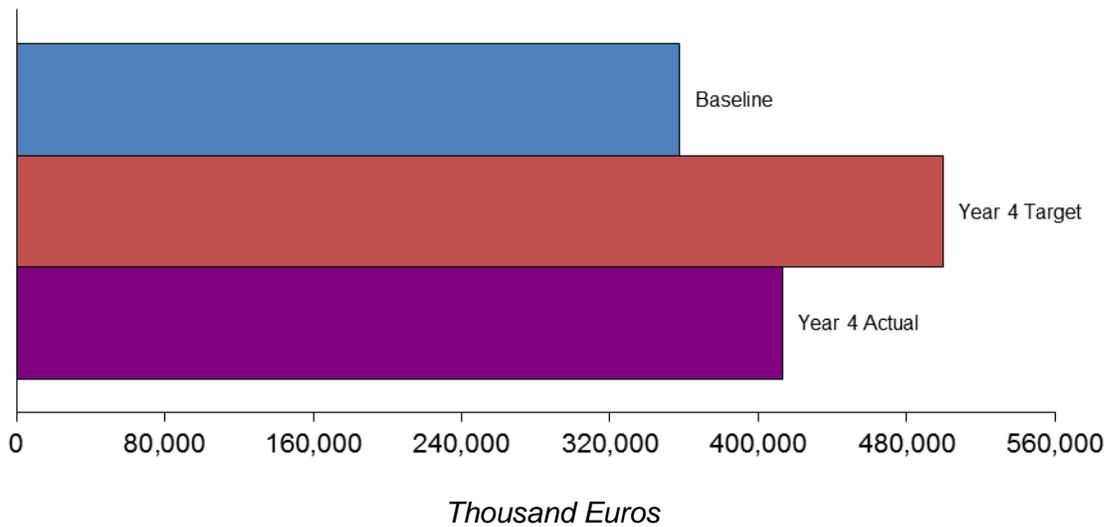
IR.1.3 (2) Accelerated Growth of Private Sector

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 were received from the Central Bank of the Republic of Kosovo.

Foreign Direct Investment



Quarterly Results: The information provided by the Central Bank of Kosovo and the World Bank on Foreign Direct Investment in Kosovo for year 2010 (the most recent available data) indicate that there were in total 413.4 million Euros of foreign investment. There is no new data available for 2011.

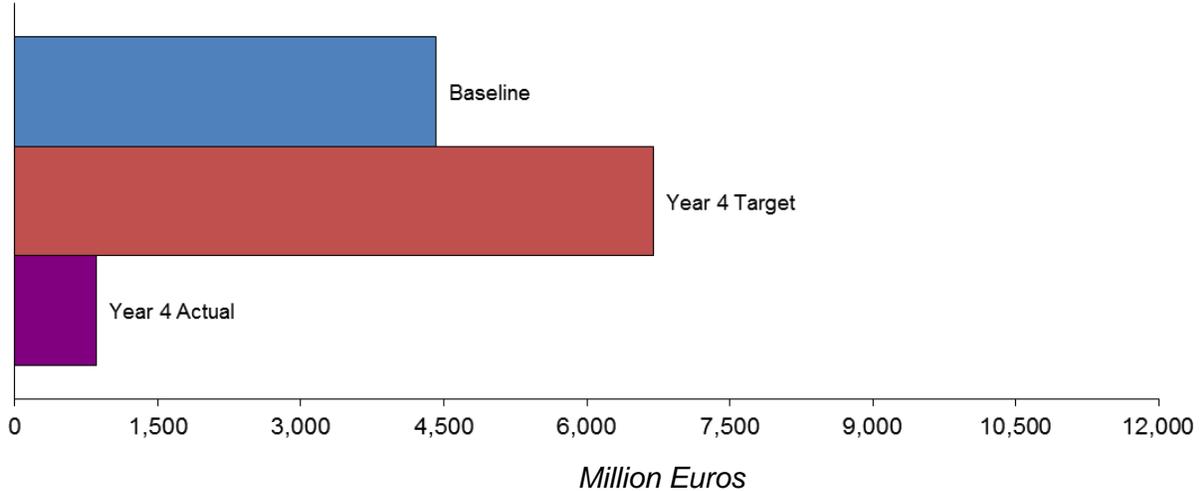
IR.1.3 (3) Accelerated Growth of Private Sector

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 Tax Administration of Kosovo provided the data for this indicator.

Value of sales, by sector



Quarterly Results. The baseline includes the data for the period January-December 2008. KPEP has collected data covering the period October 2011-December 2011. The cumulative data for this period show 847.9 million Euros in sales made by all enterprises in Kosovo. The Tax Administration of Kosovo separates enterprises in Kosovo by different categories: by size, whether small or large enterprises; and by legal status, whether individual businesses, partnerships or corporations.

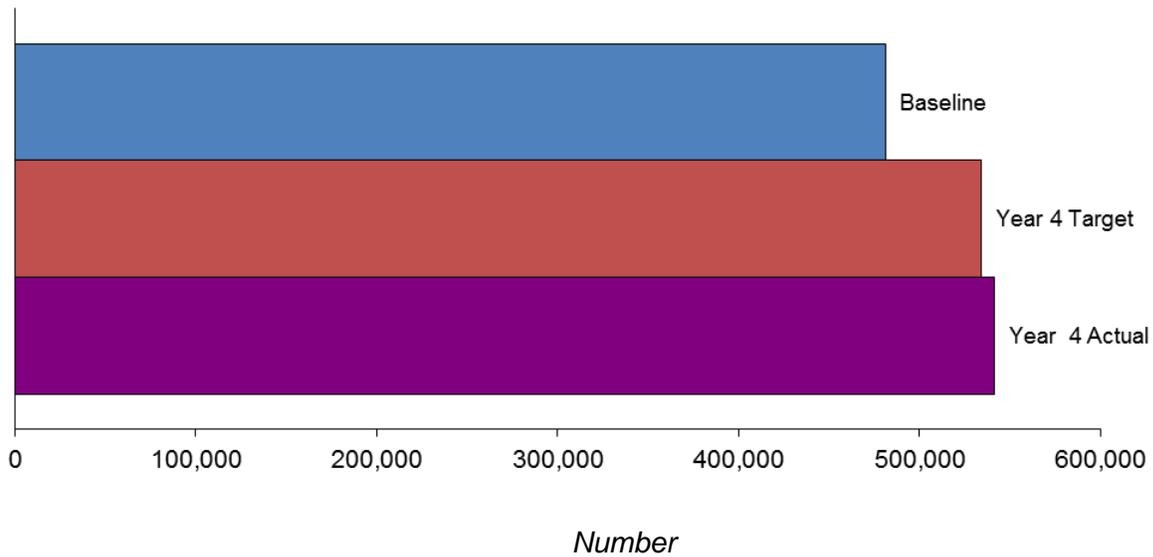
IR.1.3 (4) Accelerated Growth of Private Sector

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 were collected from the Macroeconomic Department of MEF. The quarterly data were collected from the Department for Labor and Employment (DLE) of the Ministry of Labor and Social Welfare (MLSW).

Number of People Employed in Kosovo



Quarterly Results. The data received from the DLE of MLSW regarding employment are current as of November 2011 (report “Information on Labor Market in Kosovo,” November 2011). The two main categories in this report are entries and exits. According to the DLE’s explanation in the report, by ‘entries’ it means ‘new people who register as unemployed,’ while by ‘exits’ it means ‘people who left the unemployment bureau and eventually were employed.’ Using this methodology, KPEP may can conclude that there are currently 541,064 people employed. During the first two months of FY 2012, October and November, the number of exits (people newly employed) was 6,396, while the number of new entrants (new unemployed people) was 3,299.

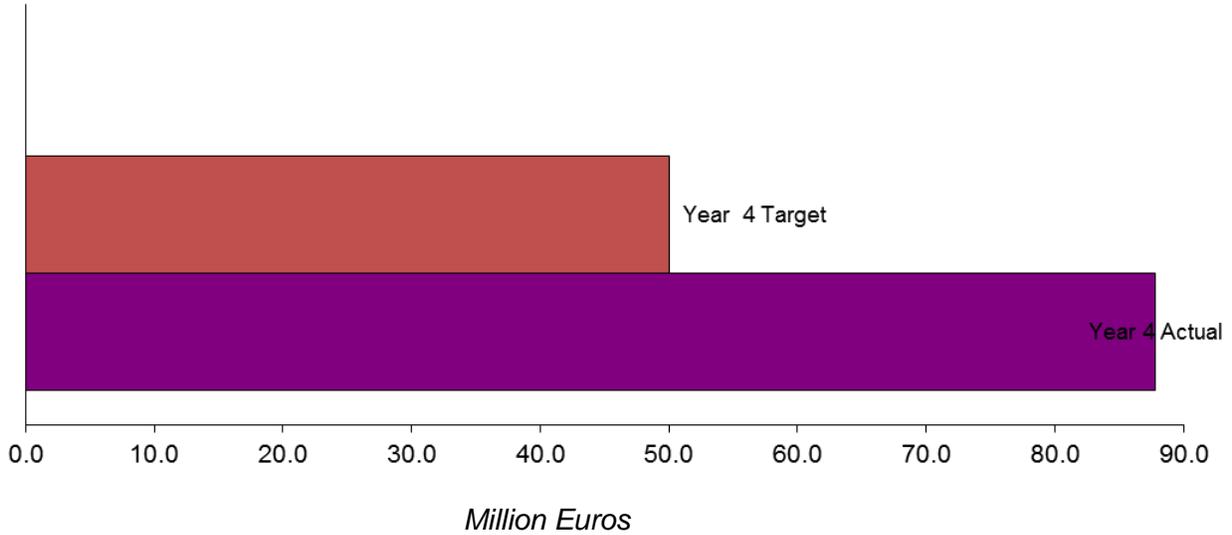
IR.1.3.1 (1) Increased Competitiveness of Key Sectors

Indicator: Increase in Sales in Target Sectors

Definition of the indicator: The 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.

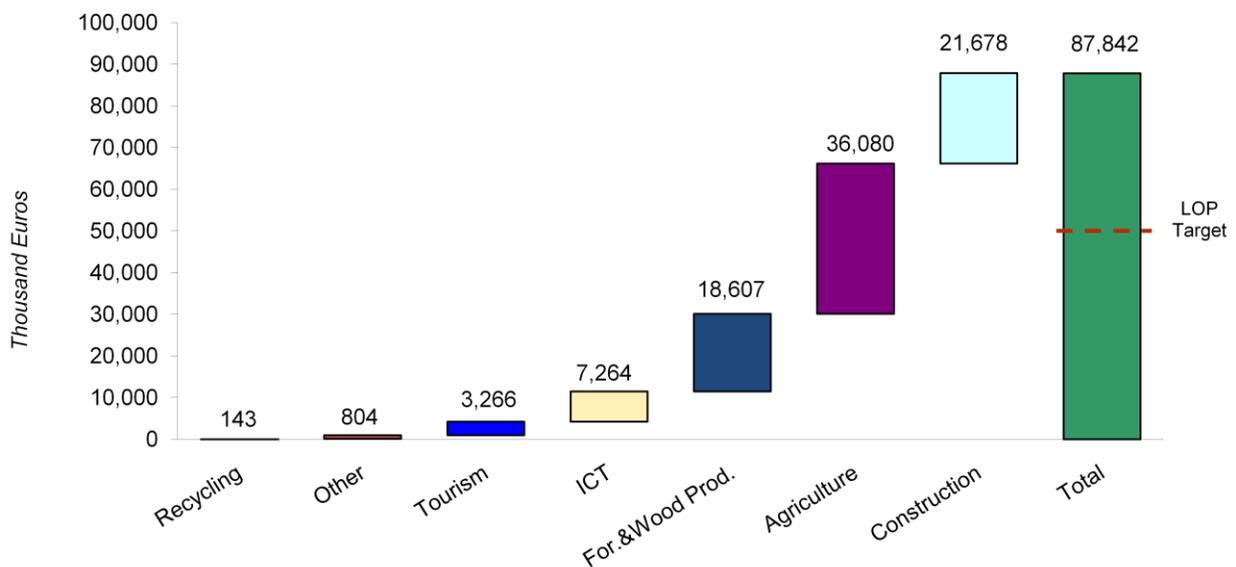
Data Source: Data received from sector specialists.

Increase in sales in Target Sectors



Quarterly Results. The annualized baseline value of sales is 173,099,761 Euros, which represents the baseline sales data for 126 companies. The cumulative target as of Q1 Year 4 is an increase of sales of 42,500,000 Euros. Cumulative increase to date is 87,842,313 Euros, which means that KPEP already exceeded the LOP target of 50,000,000 Euros. The main contributors to the LOP increase are agriculture, construction, and forestry and wood processing sectors, as shown in the graph below:

Increase in Sales by Sector

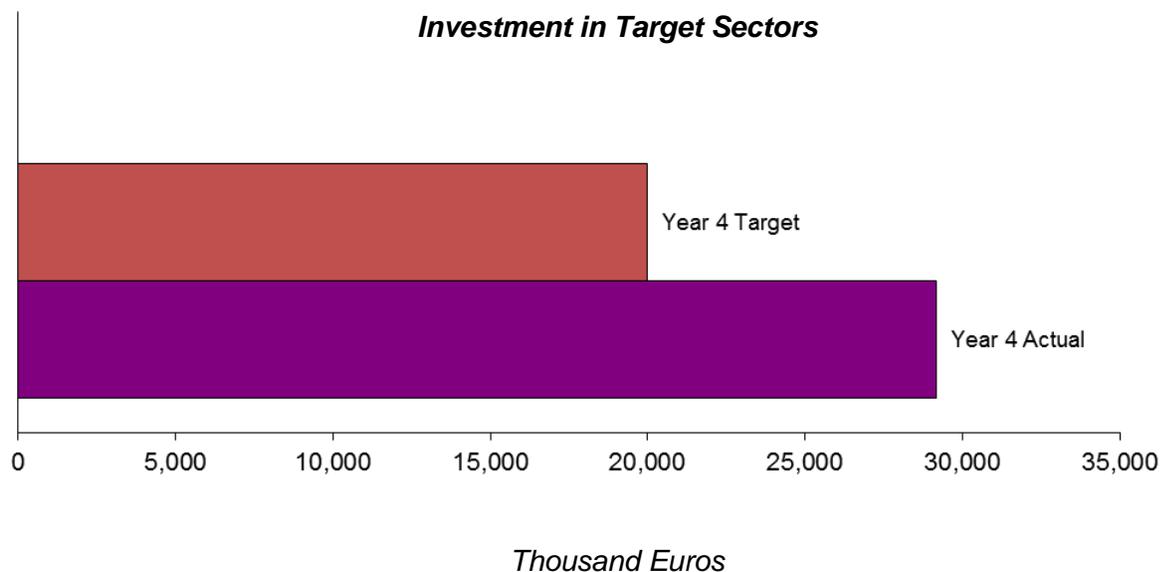


IR.1.3.1 (2) Increased Competitiveness of Key Sectors

Indicator: Increase in investments in target sectors

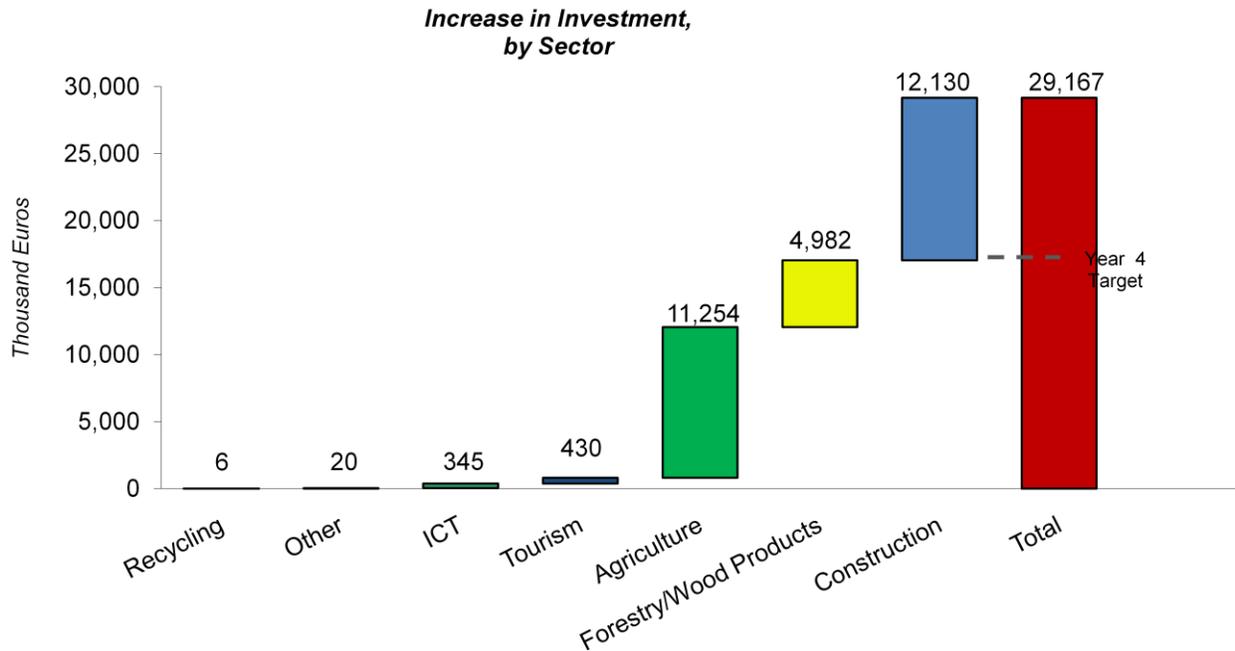
Definition of the indicator: Value of capital investments disaggregated by target enterprise, micro enterprise and by sector.

Data Source: Data received from sector specialists.



Quarterly Results. The cumulative value of investments to date is 29,166,768 Euros. 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 Q1 Year 4 is an increase in investments of 17,000,000 Euros, the target that is already exceeded. In fact, KPEP by far exceeded the LOP target for investment, which was set at a 20 million Euro increase.

The main contributor to the LOP increase is still the construction sector, followed by agriculture, and forestry and wood processing sector.



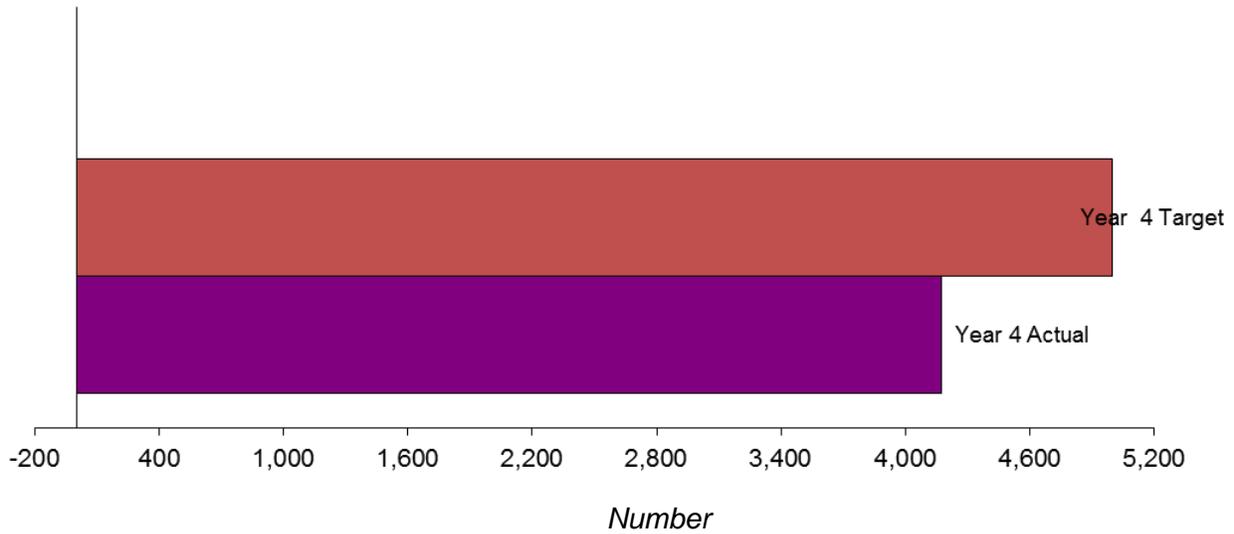
IR.1.3.1 (3) Increased Competitiveness of Key Sectors

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.

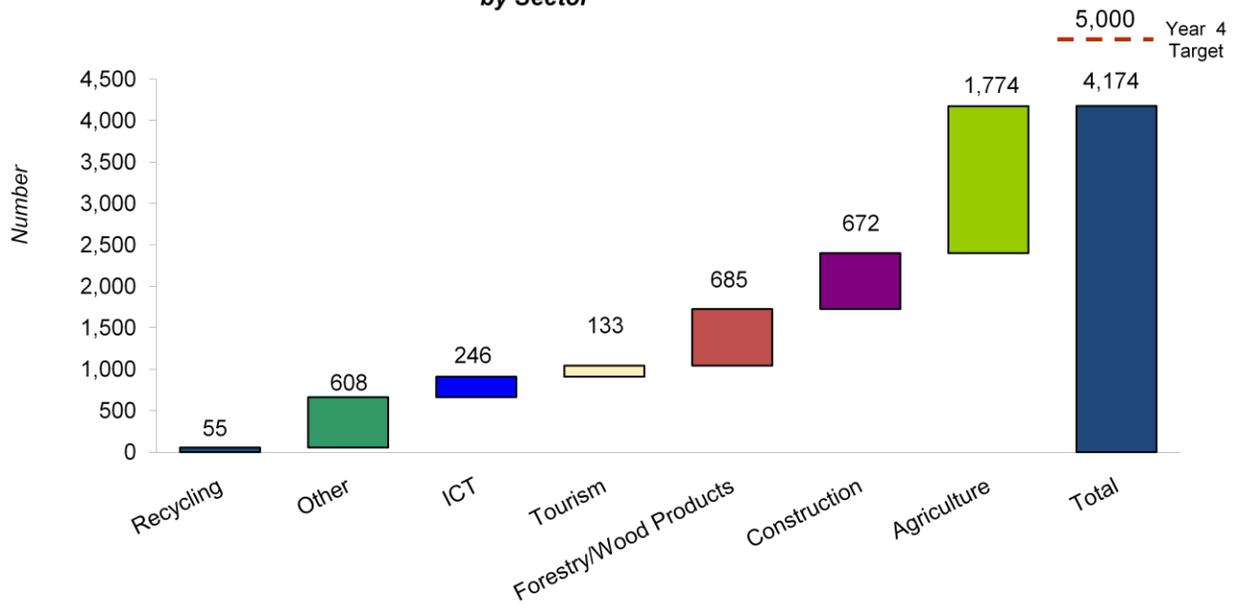
Data Source: Data received from sector specialists.

Increase in FTE Jobs in Target Sectors



Quarterly Results. The cumulative target for Q1 Year 4 is a 4,250 increase in FTE jobs. The cumulative increase of FTE jobs at KPEP client enterprises to date in Component One is 4,174 FTE jobs, which is still below the target. While KPEP is below its job creation target, the project has been able to increase 2.8 times the number of full-time jobs in comparison to the baseline of 2,278. The multiplier effect for the total increase in employment for the LOP is 5,887 FTE jobs, although when calculating multipliers not all sectors were included. Below is provided the structure of the LOP increase in FTE jobs by sector. The main contributors to this increase are the agriculture, construction and forestry and wood products sector.

**Increase in FTE Jobs in Target Sectors
by Sector**



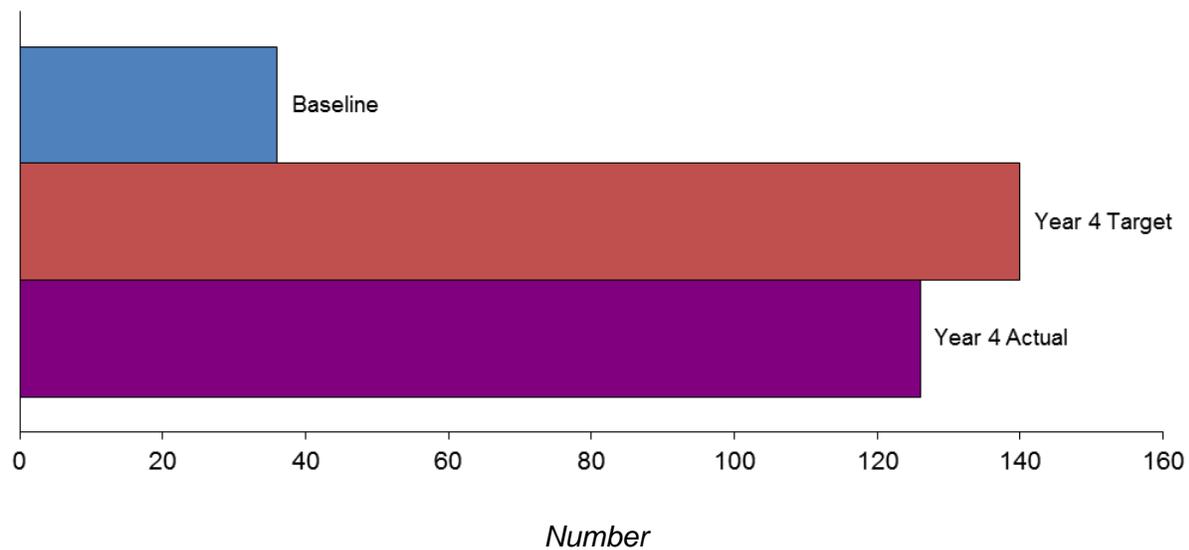
IR.1.3.1 (4) Increased Competitiveness of Key Sectors

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 were received from sector specialists.

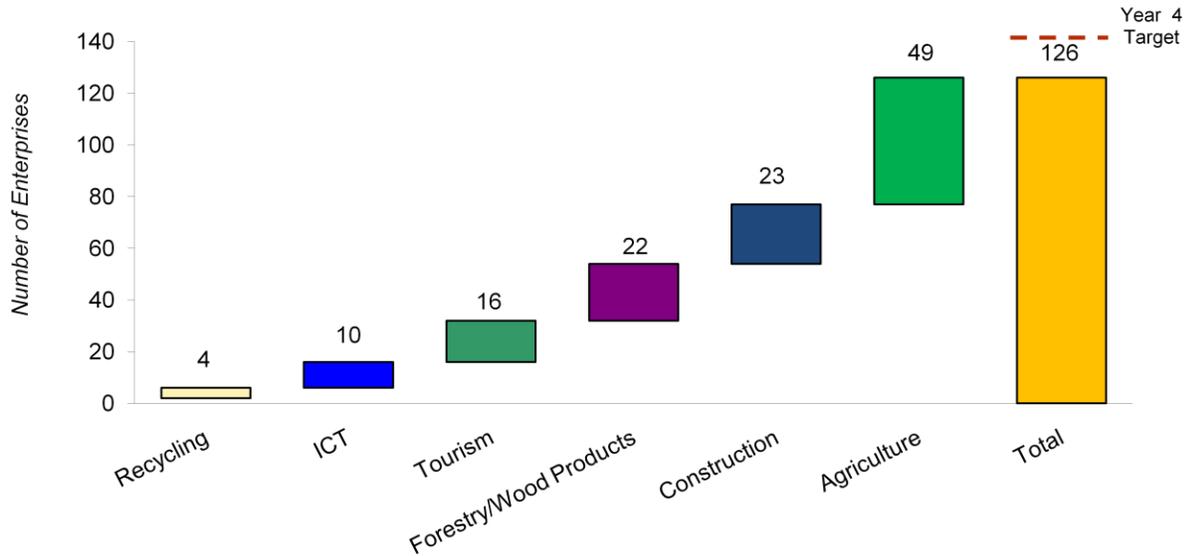
Number of Enterprises Assisted in Target Sectors



Quarterly Results. To date, KPEP counts 126 direct-supported enterprises. These companies have signed cooperative agreements 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 Q1 Year 4 is set at 120 enterprises. During this quarter, no new enterprises were added to the system. However, KPEP's reach in the private sector is much broader. KPEP's activities reach almost 670 companies, as reported under another Performance Indicator.

The below provides a breakdown of KPEP's direct client enterprises, by sector.

Number of Enterprises Assisted by Sector



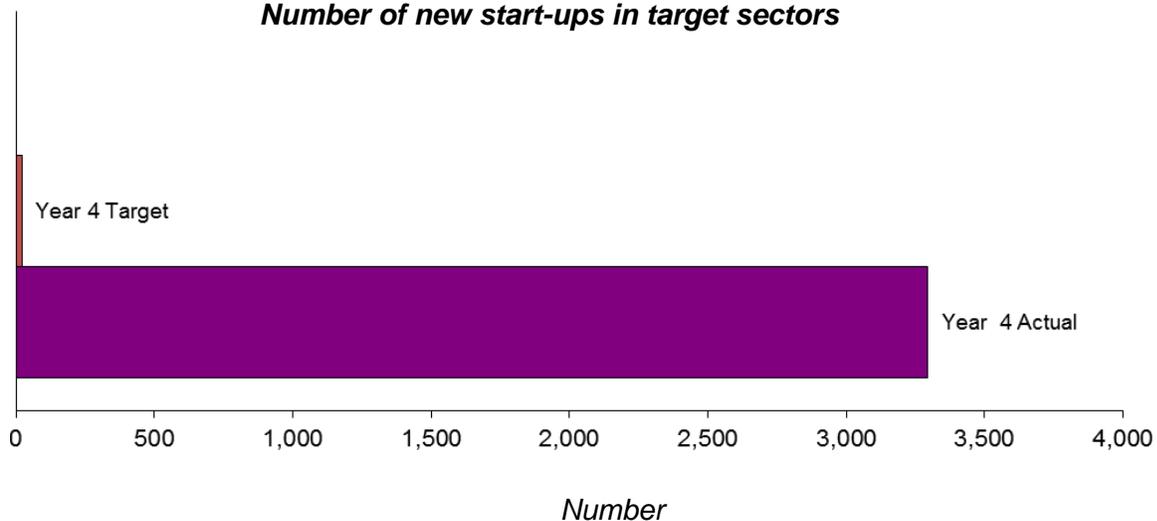
IR.1.3.1 (5) Increased Competitiveness of Key Sectors

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 were received from the Agency for Business Registry (ABRK) of the Ministry for Trade and Industry (MTI).

Number of new start-ups in target sectors



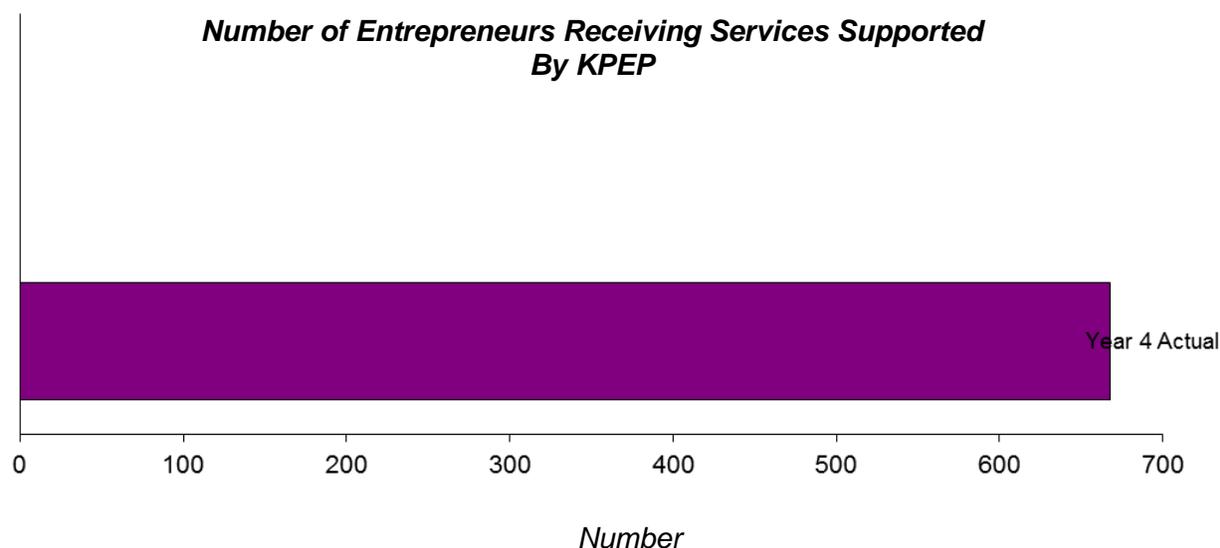
Quarterly Results. This is annual report indicator. Data are as of September 30, 2011.

IR.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, HACCP assessment survey, trade and business linkages, etc. To this list are added also those enterprises that are not direct KPEP clients but that received KPEP support through grants and sub-contracts. To date, a total of 668 entrepreneurs have received services supported by KPEP. No changes were recorded during this quarter.

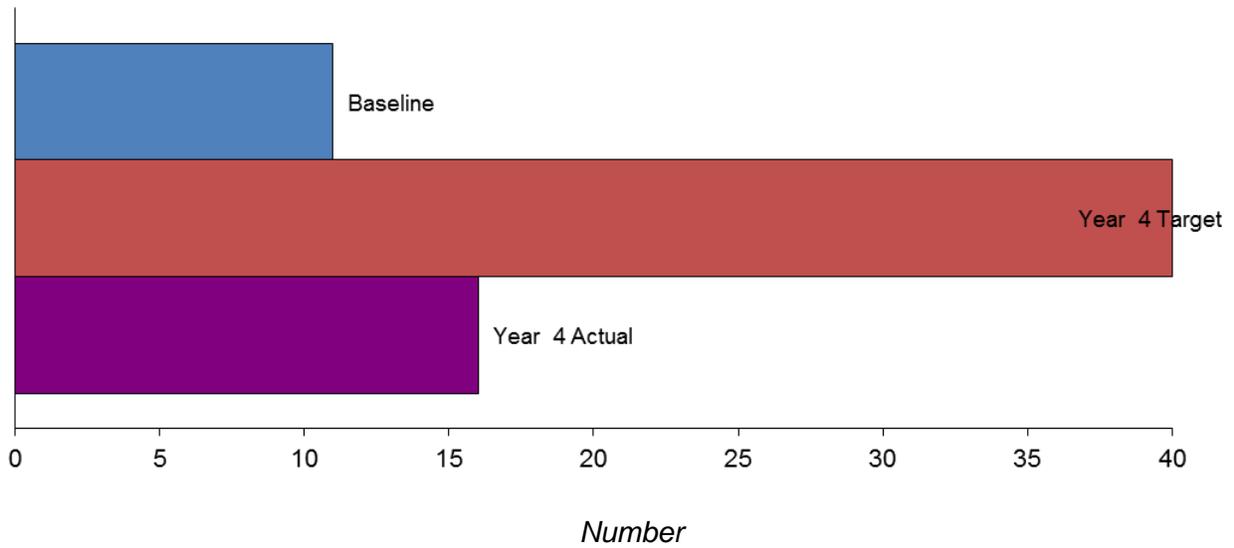
IR.1.3.2 (1) Improved and Demand Driven Business Support Services

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.

Number of enterprises and associations providing business support services



Quarterly Results. A total of 16 BSPs are included in the list of KPEP-assisted BSPs. No new companies were added during this quarter, due to the fact that the activities in Component Two were diverted from working with business consultants and other service providers to working with associations instead.

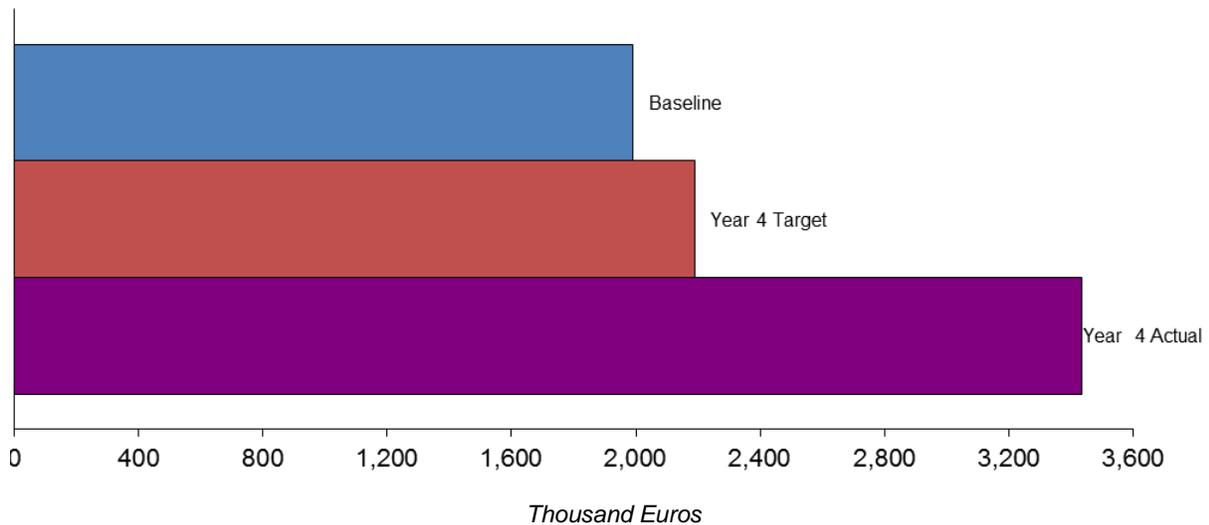
IR.1.3.2 (2) Improved and Demand Driven Business Support Services

Indicator: Increase of sales among BSPs

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

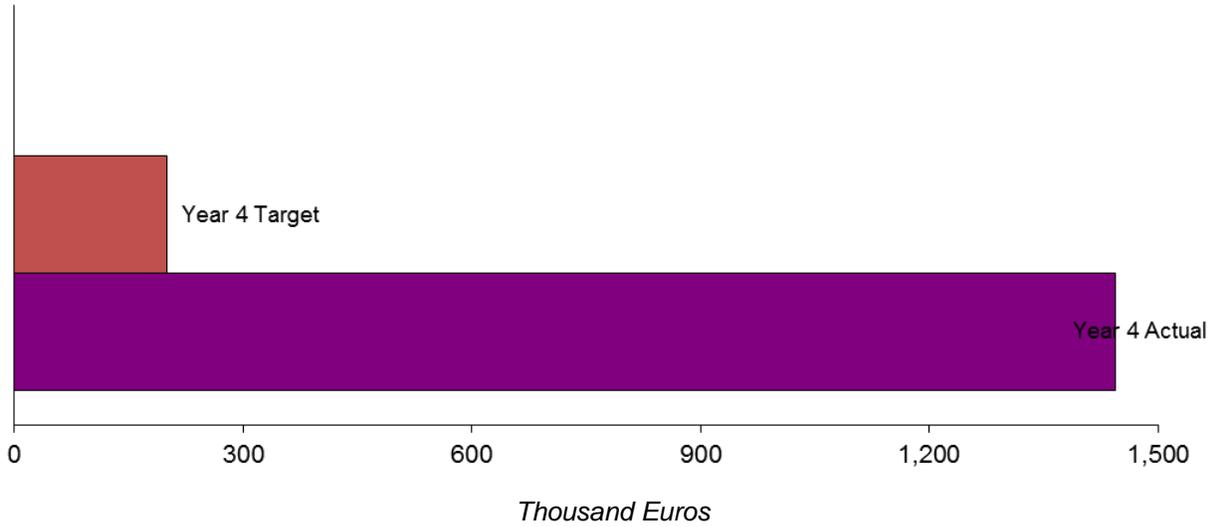
Data Source: Data received from sector specialists and BSS team.

Total value of sales among BSPs



Quarterly Results. The target cumulative increase in sales for Q1 Year 4 is 162,500 Euros over the baseline. The cumulative increase in sales to date is 1,444,113 Euros, which by far exceeds LOP target increase in sales of 200,000 Euros. During the last quarter, there was an increase in sales comparing to the baseline data of 88,454 Euros. The graph below presents the increase in sales, while the graph above represents the total sales value. The total value of sales among BSPs to date is 3,625,446 Euros, which is compared with a baseline of 2,181,333 Euros.

Increase in sales among BSPs



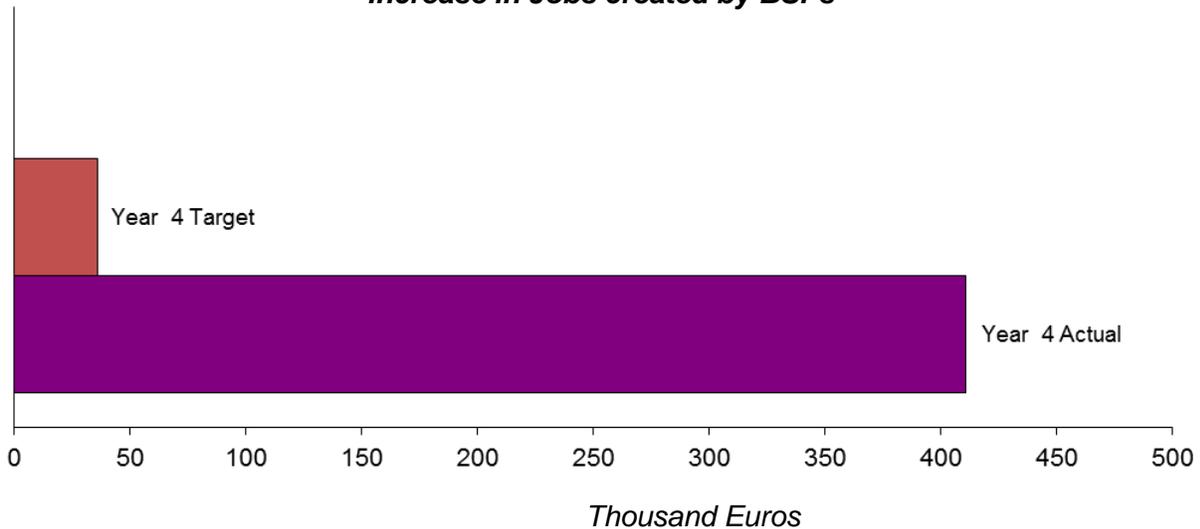
IR.1.3.2 (3) Improved and Demand Driven Business Support Services

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.

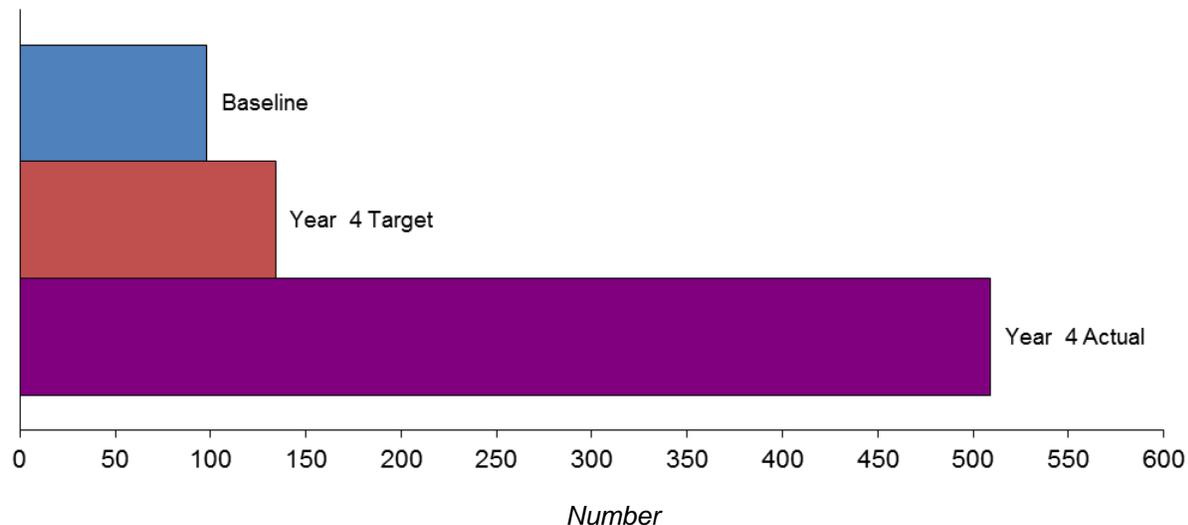
Data Source: Data received from sector specialists and BSS team.

Increase in Jobs created by BSPs



Quarterly Results. The target cumulative increase in FTE jobs over baseline for the Q1 of Year 4 is 32. The cumulative increase in FTE jobs to date is 411, which by far exceeds LOP target increase of 36 FTE jobs. The reason for this significant increase in FTE is explained by the addition of the time that interns spent working in KPEP-supported enterprises, under internship programs sponsored by USAID, to the overall number of FTE jobs.

Increase in Jobs created by BSPs



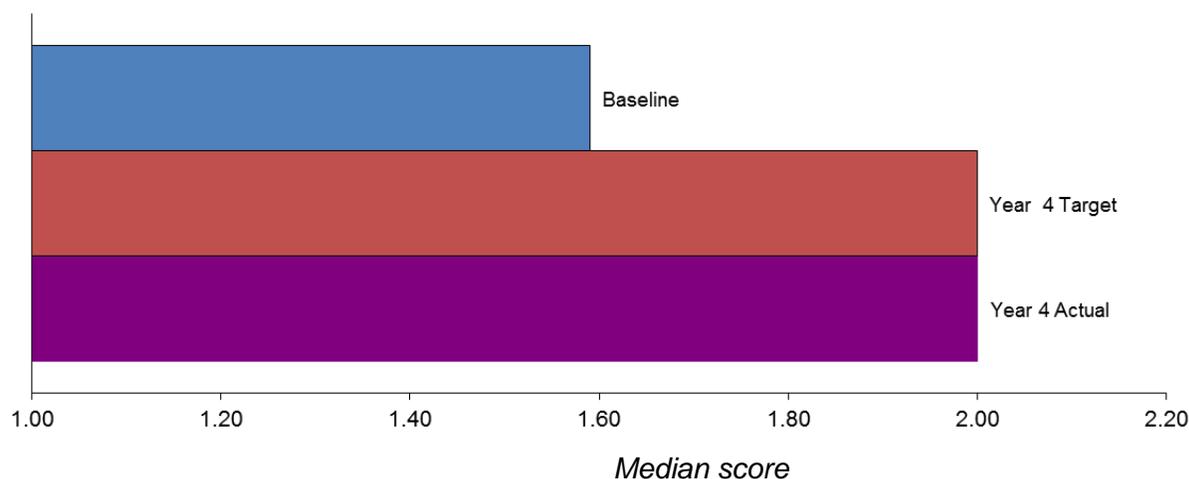
IR.1.3.2 (4) Improved and Demand Driven Business Support Services

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 were 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 conducted in August 2011.

Progress on the Association Development Index



Quarterly Results. The first and second ADIs were published in year 2009, in January and October, respectively. By the end of 2009, modest improvements were observed—as of January 2009, the assessed mean score was 1.75; by October 2009 it had increased to 1.88. Throughout this “gap period,” between the second and most recent ADI Reports, the mean score, which reflects eight functional elements, has increased by 6.15 percent. Associations are rated through a process of interviews and careful research. The survey team gathered the information during face-to-face meetings with the highest representatives of each association. The process evaluates their functionality based on eight elements: Effort to Expand Financial Resources; Organizational Capacity; Financial Management; Strategic Planning; Data & Analysis; Networking; Member Services; Public Relations and Advocacy. Later, a similar questionnaire is provided to the association for the purpose of “self-evaluation” through which a sense of objectivity is achieved and both points of view are taken into consideration so as to provide a fuller picture of the actual progress. This year, all associations were interviewed and though the project received back just 70% of the self-evaluation reports. The average score for the general functionality of associations for August 2011 is 2.00 (compared with the 1.88 baseline). There was improvement in all areas of functionality with the largest emphasis on Strategic Planning and Organizational Capacities and less on Expanding the Financial Resources and Public Relations and Advocacy.

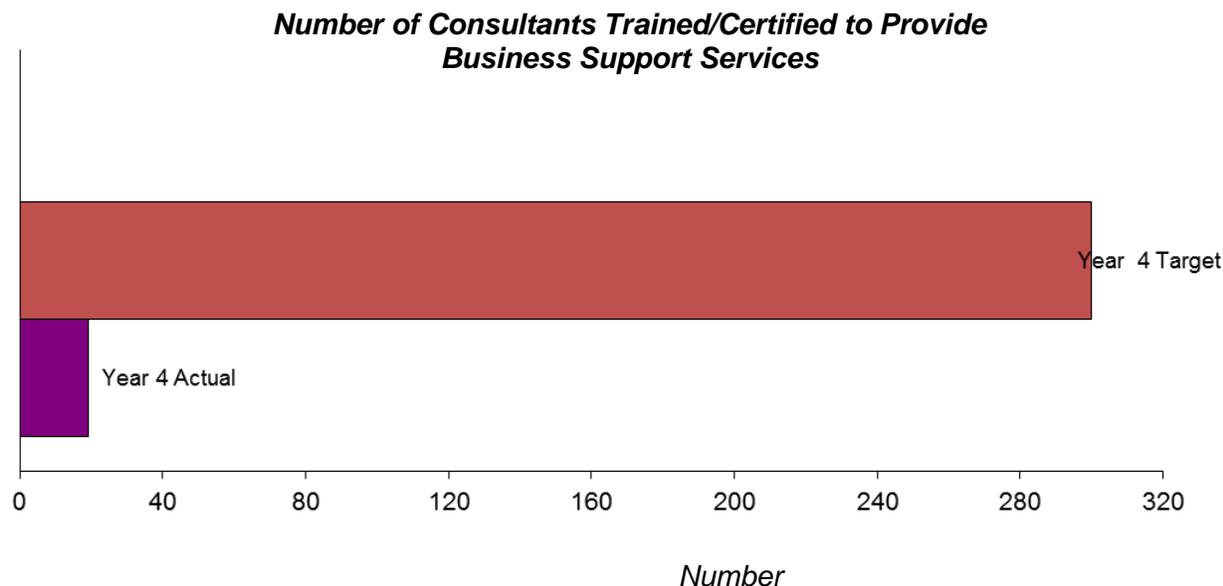
The next survey will be conducted by the end of Year 4.

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, and 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 Q1 of Year 4 is 255. No changes were reported during this quarter. The actual result presented in the chart remains the same as in the last annual report. During Year 1, 19 consultants were certified in the “Kosovo Premier Advisor” training course. No changes are anticipated until project end.

IR.1.3.3 (1) Improved Business Operating Conditions

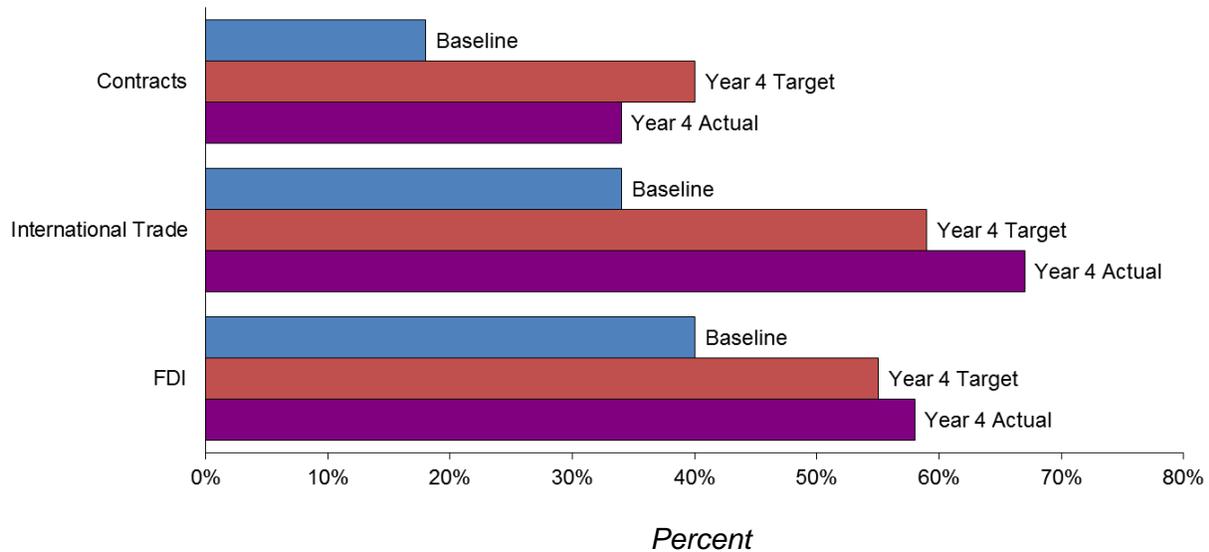
Indicator: Progress on the Business Environment Index (BizClir)

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 was conducted in January 2010 to update the BizClir Index for 2009.

Progress on BizCLIR Indicators



Quarterly Results. KPEP will not conduct any survey regarding this indicator. BEEP, a new USAID project, will follow up on this task.

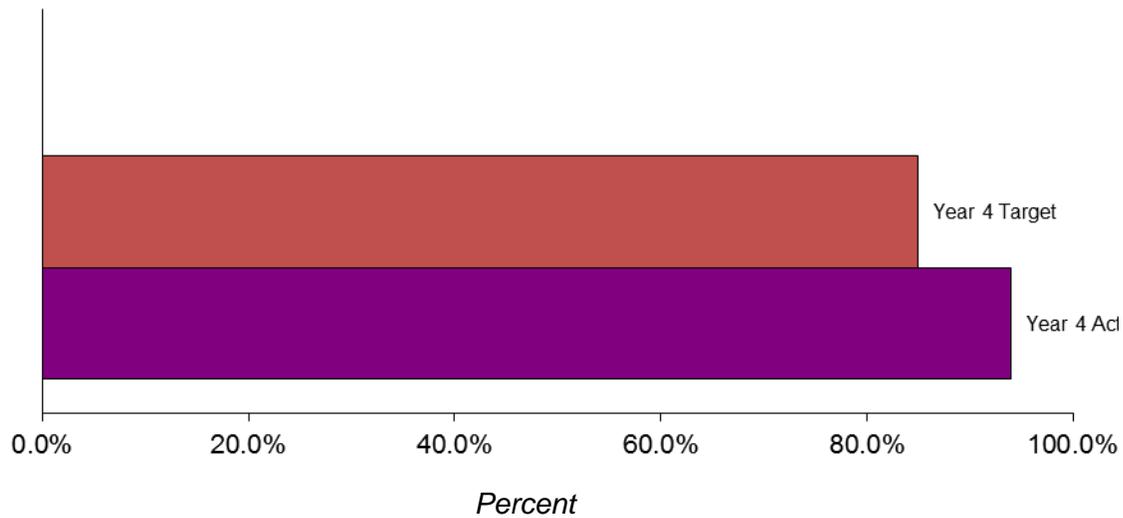
IR.1.3.3 (2) Improved Business Operating Conditions

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.

Progress on the Policy Index



Quarterly Results. The overall score for all policies to date is 94%, calculated as weighted average for completion of all policies taken together. The target for the Year 4 on Policy index is set at 85%. Below is the list of policies in which KPEP was involved in, number of actions that KPEP possibly could be involved and number of actions taken to address the issues regarding specific policies.

Policy	KPEP's possible actions	KPEP's taken actions
Public Private Partnership	7	7
CEFTA implementation	11	7
Removal of tariffs on certain wood imports	8	8
Revision of Waste Management Policy	2	2
Implementation of the Food and Veterinary Law	4	4
Pilot forest certification	13	13
Law on Construction	7	6
ccTLD – Establishment of Telecom Regulatory Agency Board	11	11
ccTLD – Domain Registry Administrative Instruction	8	8
Tourism Law	7	7
Excise Tax Reform	6	6

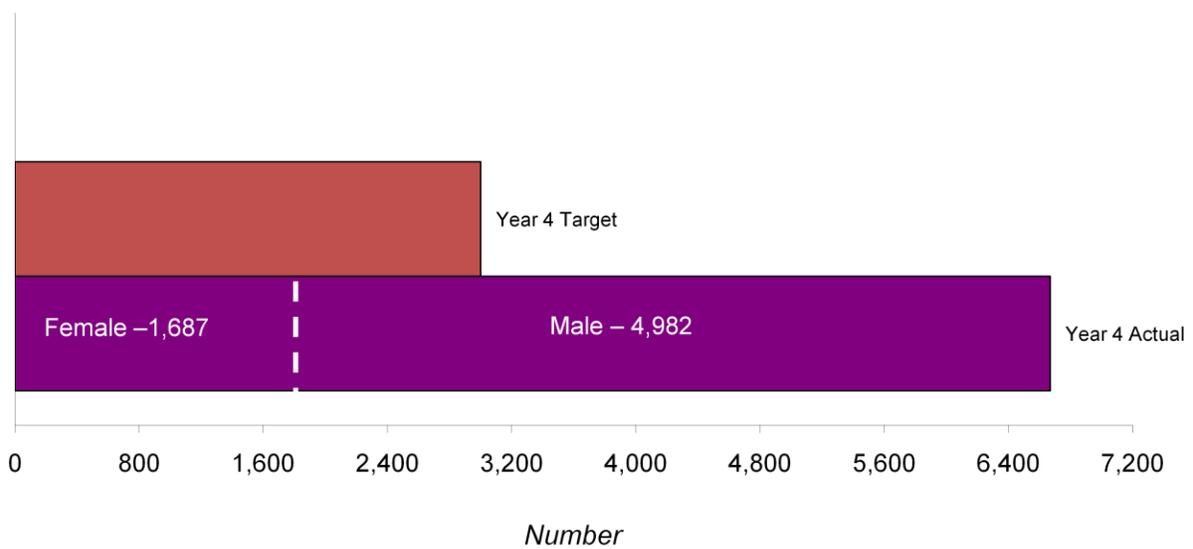
IR.1.3.4 (1) Improved Capacity of the Workforce to Engage in Employment Opportunities

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.

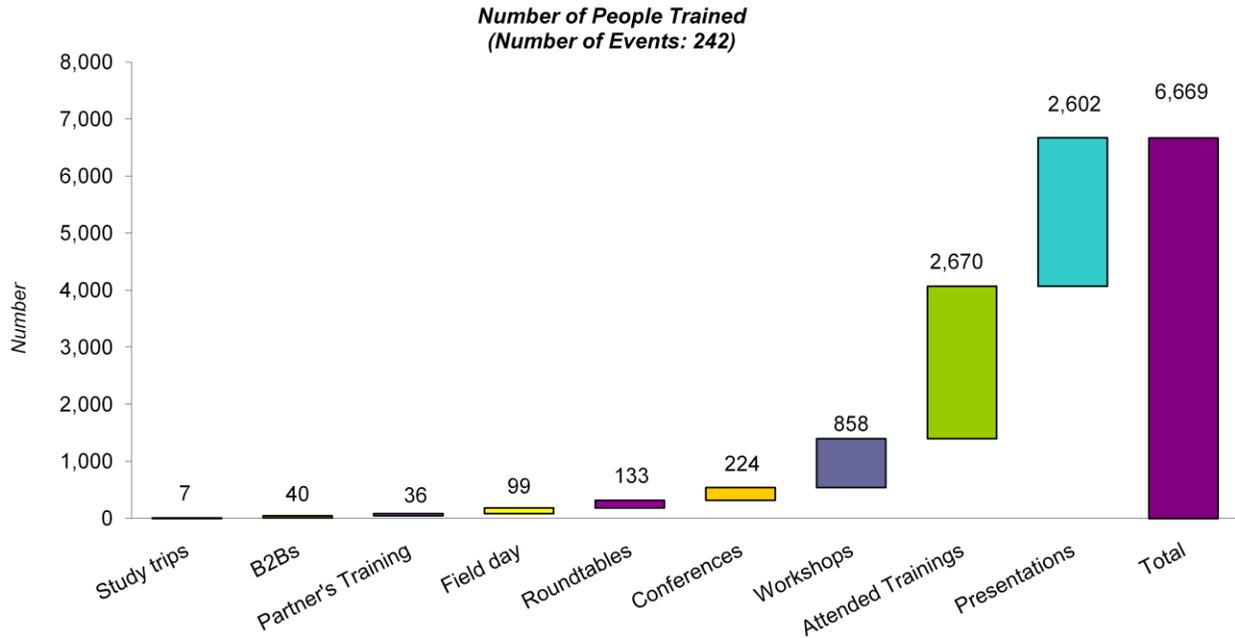
Data Source: Data received from sector specialists and WFD team.

Number of People Trained



Quarterly Results. To date, the number of people trained is 6,669, thus exceeding the LOP target of 3,000 people trained. From the total number of people trained during the year, 4,982 were male and 1,687 female; moreover, 437 were from minority areas, and 1,968 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.



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 training is 728. During this quarter alone, 17 individuals who participated in USAID-supported training activities received certificates of completion.

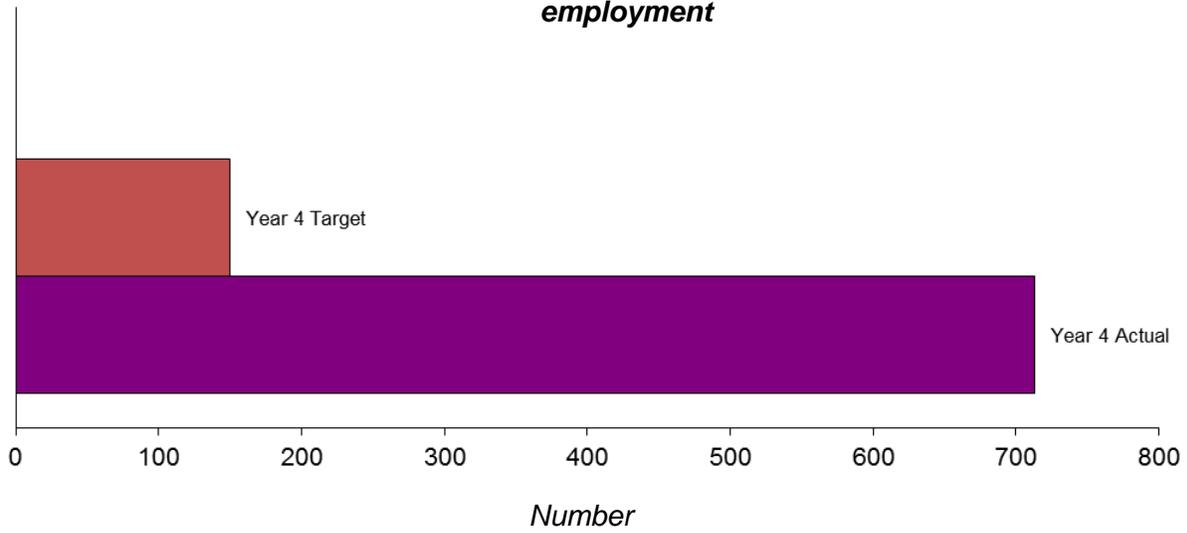
IR.1.3.4 (3) Improved Capacity of the Workforce to Engage in Employment Opportunities

Indicator: Number of program participants who obtain employment

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

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

Number of program participants that obtain employment



Quarterly Results. To date, a total of 745 people have obtained employment with the support of KPEP. During this quarter alone, 32 people gained employment.

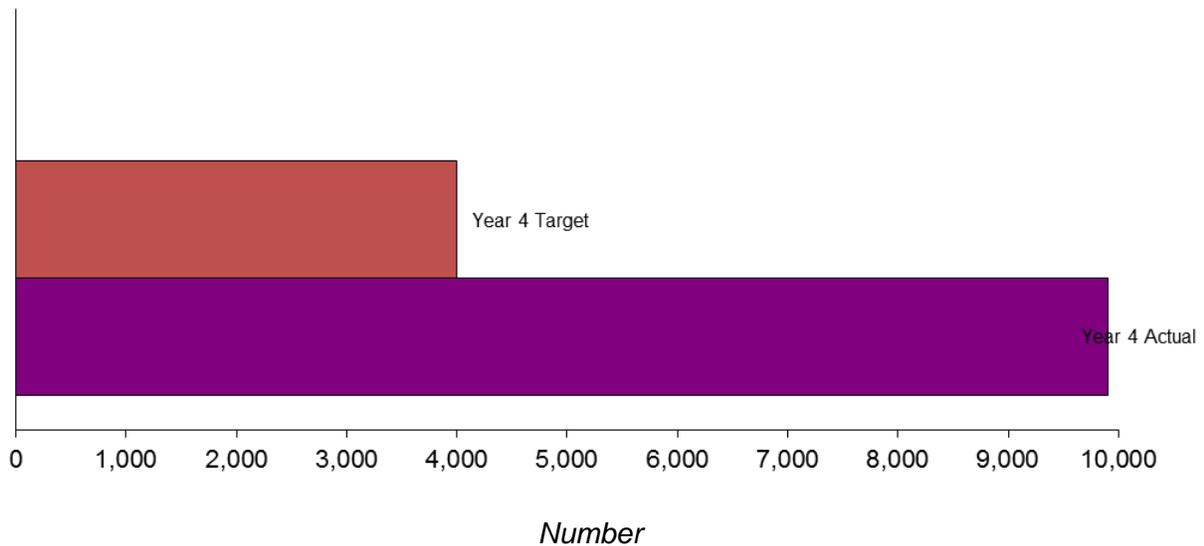
IR.1.3.4 (4) Improved Capacity of the Workforce to Engage in Employment Opportunities

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 number is reported under indicator IR.1.3.4 (1).

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

Number of Individuals Provided with Services



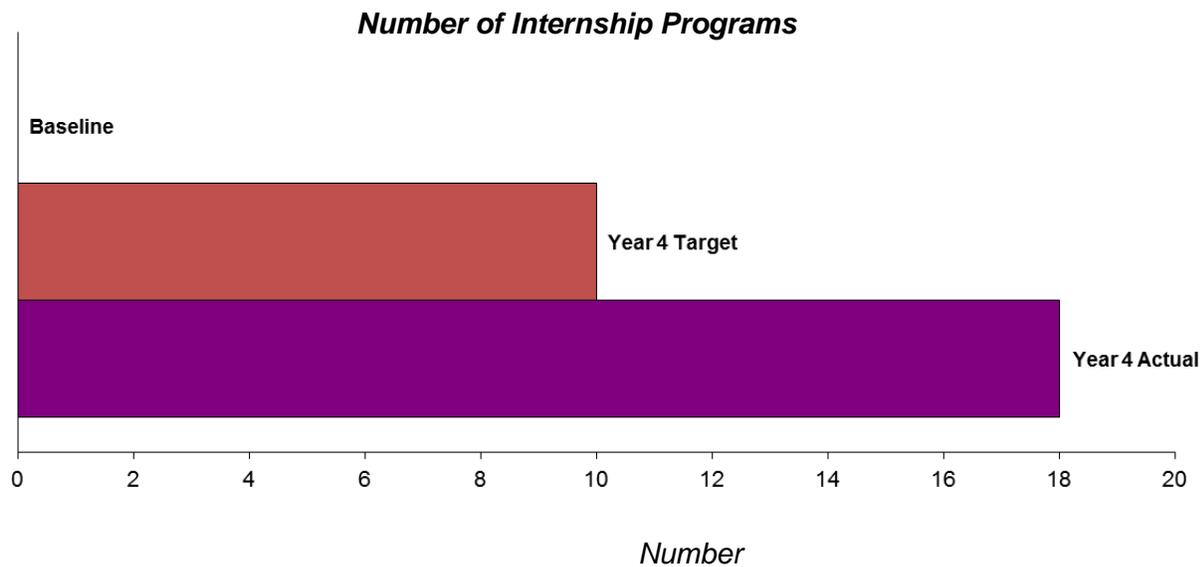
Quarterly Results. To date, the number of individuals provided with services is 9,905. This number includes for the most part individuals who participated in trade fairs supported by USAID. During this quarter, 46 new individuals were supported by KPEP/USAID.

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

Indicator: Number of Internship programs

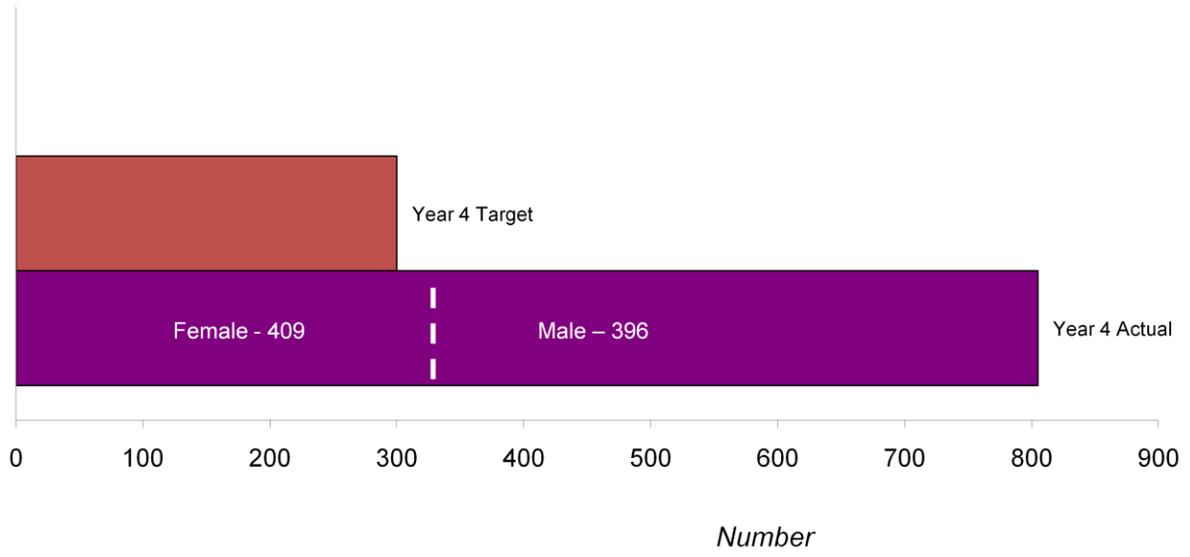
Definition of the Indicator: Internships include any sort of embedded training or on-the-job training.

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



Quarterly Results. To date, KPEP has organized 18 different activities related to internships. Two programs that were reported as internships were reclassified as other trainings since they did not include an internship component. During this quarter 17 students received training on ISO standards. All students received certificates at the end of the training. There were in total 805 interns (396 male and 409 female).

Number of Students in Internship Programs

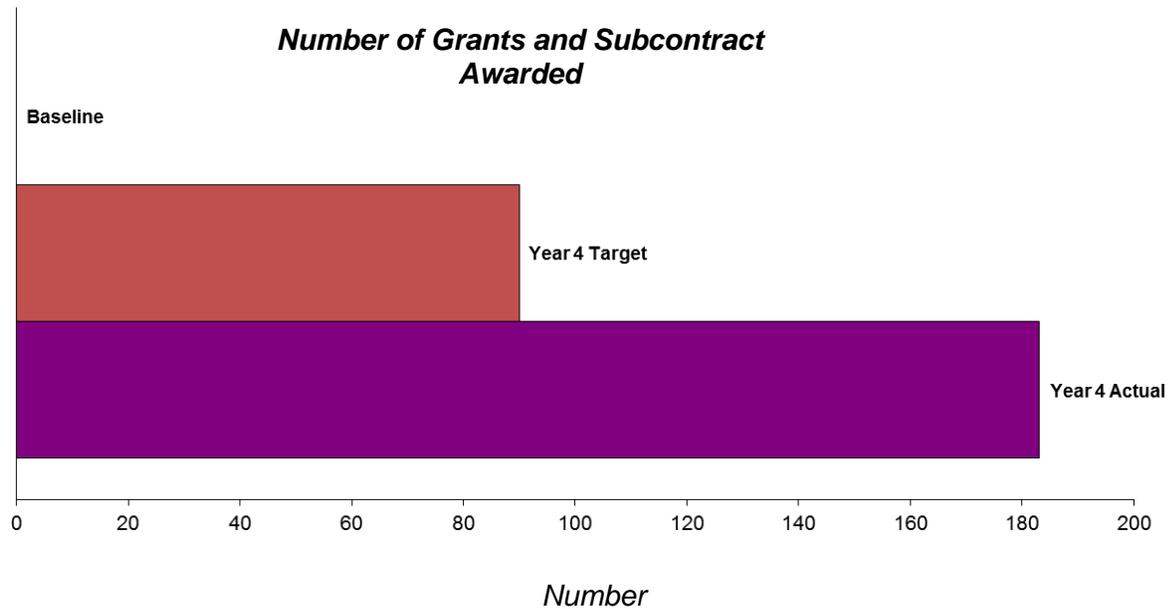


Strategic Activities Fund

Indicator: Number of grants/sub-contracts

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

Data Source: Data received from SAF specialist.

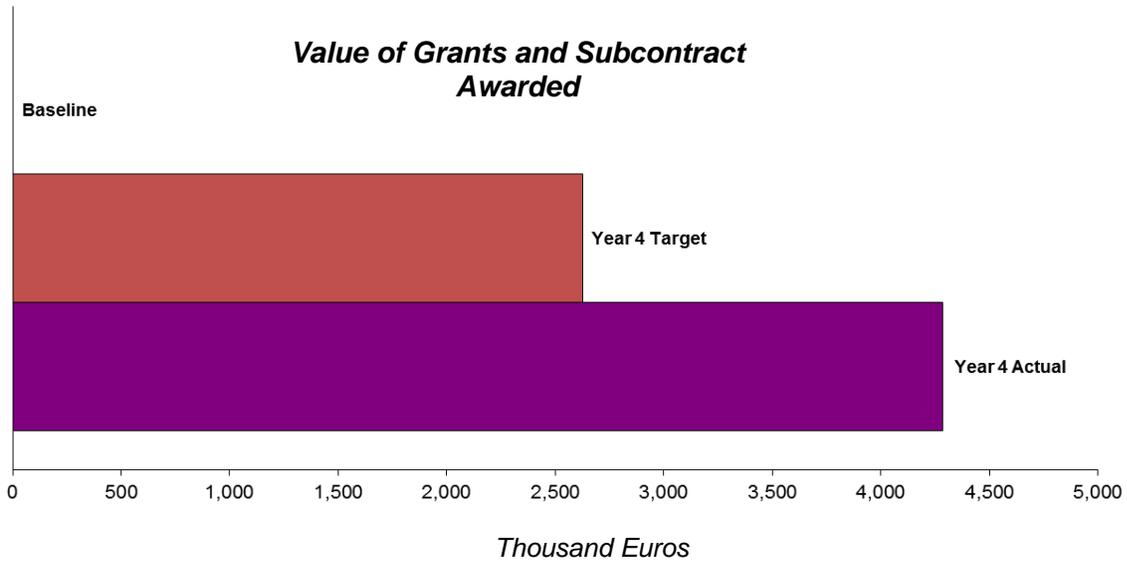


Quarterly Results. To date, KPEP supported its beneficiaries with 60 sub-contracts and 123 grants. During this quarter alone KPEP awarded six grants, three of them in minority areas.

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, KPEP supported its beneficiaries with 918,501 Euros in sub-contracts and 3,367,251 Euros in grants.

ANNEX 2: PMP REPORT-ANNUAL GOALS AND RESULTS

SO# IR#	SO Name	Unit measure	Baseli ne Year	Baseline 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	10.20	11.00	0.00	11.50	12.80	12.00	13.93	13.00	10.49
2	Foreign direct investment, by sector	Thousand Euros	2008	357,400	430,000	291,500	451,000	354,300	475,000	413,402	500,000	0
3	Value of sales, by sector	Thousand Euros	2008	4,418,000	4,900,000	4,552,795	5,400,000	3,294,933	6,000,000	10,687,247	6,700,000	847,888
4	Number of people employed, by sector	Number	2008	481,000	488,000	496,708	512,000	517,594	523,000	532,745	534,000	541,064
1.3.1	Increased Competitiveness of Key Sectors											
Indicators												
1	Increase in sales in target sectors over the baseline	Euros	2008	173,099,761	8,000,000	13,177,698	20,000,000	41,003,603	40,000,000	71,513,204	50,000,000	87,842,313
	Increase in sales over current baseline of 173,099,761	Percent	2008	0	9.40	25.70	16.40	33.60	25.30	45.20	24.40	50.70
2	Increase in investments in target sectors	Euros	2008	0	3,200,000	9,570,686	8,000,000	15,256,256	16,000,000	26,237,767	20,000,000	29,166,768
3 (AR)	Increase in jobs created in target sectors	Number	2008	2,138	800	293	2,000	1,590	4,000	3,515	5,000	4,174
4	Number of enterprises assisted in target sectors	Number	2008	36	61	47	85	66	110	126	140	126
5	Number of new start-ups in target sectors	Number	2008	0	7	448	12	663	16	3,292	20	3,292
6	Number of entrepreneurs receiving services supported by USAID	Number	2008	0	0	496	500	539	TBD	668	TBD	668

SO# IR#	SO Name	Unit measure	Baseli ne Year	Baseline Value	2009 Target	2009 Actual	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	2012 Actual
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	16	40	16
2	Increase of sales among BSPs	Euros	2008	1,992,060	40,000	236,566	110,000	752,302	150,000	1,355,659	200,000	1,444,113
3	Increase in jobs created among USAID supported BSPs	Number	2008	98	8	23	18	74	31	410	36	411
4	Progress on the Association Development Index	Median score	2008	1.59	1.6	1.65	1.7	1.65	1.9	2.0	2	2.0
5	Number of consultants trained/certified to provide business support service	Number	2008	0	70	19	150	19	240	19	300	19
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	34	50	0
1.1.1	Supporting Institutions (B.3)	Percent	2008	10	15	0	19	21	24	21	30	0
1.1.2	Social Dynamics (B.4)	Percent	2008	26	35	0	44	41	55	41	69	0
1.2	International Trade	Percent	2008	34	41	0	49	67	59	67	70	0
1.2.1	Legal Framework (H.1)	Percent	2008	41	45	0	53	82	63	82	74	0
1.2.2	Implementing Institutions (H.2)	Percent	2008	27	40	0	47	45	56	45	65	0
1.2.3	Supporting Institutions (H.3)	Percent	2008	35	40	0	47	73	56	73	65	0

SO# IR#	SO Name	Unit measure	Baseli ne Year	Baseline Value	2009 Target	2009 Actual	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	2012 Actual
1.2.4	Social Dynamics (H.4)	Percent	2008	34	40	0	50	61	62	61	76	0
1.3	Foreign direct investment, by sector	Percent	2008	40	48	0	52	58	55	58	60	0
1.3.1	Legal Framework (K.1)	Percent	2008	43	45	0	49	74	52	74	57	0
1.3.2	Implementing Institutions (K.2)	Percent	2008	36	45	0	49	53	52	53	57	0
1.3.3	Supporting Institutions (K.3)	Percent	2008	54	60	0	65	76	70	76	76	0
1.3.4	Social Dynamics (K.4)	Percent	2008	28	40	0	43	43	47	43	50	0
2	Progress on the policy index	Percent	2008	0	70	72	75	92	80	94	85	94
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	4,183	2,500	6,466	3,000	6,669
2	Number of training certifications	Number	2008	0	80	20	160	252	275	711	325	728
3	Number of program participants that obtain employment	Number	2008	0	TBD	2	20	135	100	713	150	745
4	Number of individuals provided with services	Number	2008	0	800	7,326	1,600	9,078	3,500	9,859	4,000	9,905
5	Number of internship programs	Number	2008	0	3	3	6	13	8	17	10	18
	Strategic Activities Fund											
Indicators												
1	Number of grants/sub-contracts	Number	2008	0	20	26	45	66	70	177	90	183
2	Value of grants and sub-contracts	Euros	2008	0	400,000	447,837	1,750,000	1,335,357	2,370,000	3,973,027	2,625,000	4,285,752

Annex 2: PMP Report-Quarterly Results

SO# IR#	SO Name	Unit measure	Baseline Year	Baseline Value	2012 Target	Q1 2012 Actual	Q2 2012 Actual	Q3 2012 Actual	Q4 2012 Actual	2012 To date
1.3	Accelerated Growth of Private Sector									
Indicators										
1 (AR)	Exports as % of imports, by sector	Percent	2008	10.20	13.00	10.49				0.00
2	Foreign direct investment, by sector	Thousand Euros	2008	357,400	500,000	0				0
3	Value of sales, by sector	Thousand Euros	2008	4,418,000	6,700,000	847,888				847,888
4	Number of people employed, by sector	Number	2008	481,000	534,000	8,319				8,319
1.3.1	Increased Competitiveness of Key Sectors									
Indicators										
1	Increase in sales in target sectors	Euros	2008	173,099,761	50,000,000	16,329,109				16,329,109
2	Increase in investments in target sectors	Euros	2008	0	20,000,000	2,929,001				2,929,001
3 (AR)	Increase in jobs created in target sectors	Number	2008	2,138	5,000	659				659
4	Number of enterprises assisted in target sectors	Number	2008	36	140	0				0
5	Number of new start-ups in target sectors	Number	2008	0	20	0				0
6	Number of entrepreneurs receiving services supported by USAID	Number	2008	0	TBD	0				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	40	0				0
2	Increase of sales among BSPs	Euros	2008	1,992,060	200,000	88,454				88,454

SO# IR#	SO Name	Unit measure	Baseline Year	Baseline Value	2012 Target	Q1 2012 Actual	Q2 2012 Actual	Q3 2012 Actual	Q4 2012 Actual	2012 To date
3	Increase in jobs created among USAID supported BSPs	Number	2008	98	36	1				1
4	Progress on the Association Development Index	Median score	2008	1.59	2	0				0
5	Number of consultants trained/certified to provide business support service	Number	2008	0	300	0				0
1.3.3	Improved Business Operating Conditions									
Indicators										
1	Progress on the Business Environment Index (BizCLIR)									
1.1	Contracts	Percent	2007	18	50	0	0	0	0	0
1.1.1	Supporting Institutions (B.3)	Percent	2007	10	30	0	0	0	0	0
1.1.2	Social Dynamics (B.4)	Percent	2007	26	69	0	0	0	0	0
1.2	International Trade	Percent	2007	34	70	0	0	0	0	0
1.2.1	Legal Framework (H.1)	Percent	2007	41	74	0	0	0	0	0
1.2.2	Implementing institutions (H.2)	Percent	2007	27	65	0	0	0	0	0
1.2.3	Supporting Institutions (H.3)	Percent	2007	35	65	0	0	0	0	0
1.2.4	Social Dynamics (H.4)	Percent	2007	34	76	0	0	0	0	0
1.3	Foreign direct investment, by sector	Percent	2007	40	60	0	0	0	0	0
1.3.1	Legal Framework (K.1)	Percent	2007	43	57	0	0	0	0	0
1.3.2	Implementing institutions (K.2)	Percent	2007	36	57	0	0	0	0	0
1.3.3	Supporting Institutions (K.3)	Percent	2007	54	76	0	0	0	0	0

SO# IR#	SO Name	Unit measure	Baseline Year	Baseline Value	2012 Target	Q1 2012 Actual	Q2 2012 Actual	Q3 2012 Actual	Q4 2012 Actual	2012 To date
1.3.4	Social Dynamics (K.4)	Percent	2007	28	50	0	0	0	0	0
2	Progress on the policy index	Percent	2008	0	0.85	93	93	93	94	94
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	3,000	203				203
2	Number of training certifications	Number	2008	0	325	17				17
3	Number of program participants that obtain employment	Number	2008	0	150	32				32
4	Number of individuals provided with services	Number	2008	0	4,000	46				46
5	Number of internship programs	Number	2008	0	10	1				1
	Strategic Activities Fund									
Indicators										
1	Number of grants/sub-contracts	Number	2008	0	90	6				6
2	Value of grants and sub-contracts	Euros	2008	0	2,625,000	312,725				312,725

ANNEX 3. KPEP PUBLICATION MATERIALS - KPEP SUCCESS STORIES Q1 Y4

USAID Trains Young Programmers to Develop Mobile Apps



USAID is supporting the training of 12 young Kosovo programmers to develop mobile applications to run on Android, the world's most popular smartphone operating system.

The pilot training will help the young programmers capitalize on the burgeoning global demand for smartphone apps. Users of smartphones that run on Google's Android are on track to download 12 billion apps this year, according to industry forecasts.

A Dutch company has already expressed interest in hiring some of the students attending the course. Other attendees currently work for Kosovo ICT companies, which are expected to add mobile app development to their menu of services.

USAID's Kosovo Private Enterprise Program (KPEP) organized the training in conjunction with the newly established Innovation Centre Kosovo, financed by the Norwegian Government. The joint donor effort targets in particular Kosovo's large unemployed youth population.

USAID helps new food company push into new markets



A new Kosovo company that turns handpicked blueberries, sour cherries and other fruits into delectable jams has successfully leveraged USAID support to win its first European export deal.

ASK Foods will supply a German importer with 120 metric tons of its jams, juices and other gourmet food products, following the company's successful debut at Anuga, the world's largest food and beverage fair.

ASK was among several Kosovo food companies supported by USAID's Kosovo Private Enterprise Program (KPEP) to sign export agreements at the recently concluded fair in Cologne, Germany.

Export promotion is a focus of KPEP's work in Kosovo, given its role in reducing trade deficits, increasing employment and strengthening the private sector.

USAID Helping to Turn (Saw) dust into Energy

A story of USAID investment in bio-energy implemented by Kosovo Private Enterprise Program in Kosovo

USAID is helping entrepreneurs in Kosovo press thousands of tons of previously wasted sawdust into high-grade wood pellets, with increased production of the environmentally friendly fuel generating welcome heat and jobs.

Studies undertaken by USAID's Kosovo Private Enterprise Program (KPEP) found sawmills across heavily forested Kosovo produce approximately 110,000 cubic meters of sawdust a year, with most of it dumped as waste.

KPEP quickly recognized that waste stream could be diverted to supply valuable feedstock to Kosovo's fledgling wood pellet and briquette industry. Indeed, that sawdust would suffice to produce 50,000 tons of pellets a year, worth roughly 7.5 million Euros at wholesale prices, according to project estimates.

"We presented the findings to several wood processors in Kosovo. We told them, 'Here is an opportunity for you to increase your profits through new investments, which USAID may support with grants,'" explains Burim Meqa, KPEP's wood-processing specialist.

Among the first companies to respond was Thes Ari, based in the southeastern Kosovo town of Klllokot. Owner Bashkim Zejnullahu told KPEP his company was producing just two tons of briquettes a shift, with output constrained by the lack of locally available sawdust that met low moisture content requirements. KPEP went on to support Thes Ari in purchasing a rotary kiln, enabling it to buy—and dry—more sawdust from area sawmills. The company now produces 12 tons of pellets and briquettes a shift, with plans to grow even more.

"The investment was an immediate success," explains Zejnullahu, a member of Switzerland's sizeable Kosovar émigré community, who has since won an interest-free loan from the Swiss government to further expand his business.

The pilot training will help the young programmers capitalize on the burgeoning global demand for smartphone apps. Users of smartphones that run on Google's Android are on track to download 12 billion apps this year, according to industry forecasts.



*"It is good when you see results, but there are still things to be done," says Burim Meqa, KPEP sector specialist, explaining that **KPEP** is now working to help pellet manufacturers tap new sources of raw materials, beyond just sawmill waste.*

A Dutch company has already expressed interested in hiring some of the students attending the course. Other attendees currently work for Kosovo ICT companies, which are expected to add mobile app development to their menu of services.

USAID's Kosovo Private Enterprise Program (KPEP) organized the training in conjunction with the newly established Innovation Centre Kosovo, financed by the Norwegian Government. The joint donor effort targets in particular Kosovo's large unemployed youth population.

"USAID's support was very important in my expansion," Zejnullahu says. "They were the first to trust and encourage me in this business, which yields jobs, profits and environmental benefits."

Indeed, pellets are a cost-competitive and cleaner-burning alternative to the fuel oil, lignite and firewood most commonly burned for heat in Kosovo.

Making the pellets also puts people to work, with USAID support to the industry leading to the creation of 36 full-time equivalent jobs.

Overall, USAID assistance, delivered through KPEP to Thes Ari and two other manufacturers, has increased Kosovo's pellet output by 24 tons a day, or more than 6,000 tons a year.

"It is good when you see results, but there are still things to be done,"

Meqa says, explaining that KPEP is now working to help pellet manufacturers tap new sources of raw materials, beyond just sawmill waste.

One potential source is the estimated 300,000 cubic meters of biomass left to rot in Kosovo's forests following timber harvesting and thinning operations. Meqa, along with KPEP forestry specialist Hysen Shabanaj, is working to encourage commercial logging companies to turn more of this unused waste into useful wood pellets.

USAID Puts Kosovo Front and Center as Western Europe's New Back Office



USAID is leveraging Kosovo's traditionally strong ties to Austria, Germany and Switzerland in helping it capture more of the lucrative back-office work that German-speaking countries seek to outsource.

USAID's Kosovo Private Enterprise Program (KPEP) actively supports Kosovo's business process outsourcing, or BPO, sector, given the promising role it can play in strengthening the private sector and in increasing employment, particularly among the nation's large youth population. To this end, KPEP recently invited a Swiss market specialist to speak to more than 120 University of Pristina students about the BPO industry. The guest speaker highlighted the job opportunities within the industry, as well as the skills those opportunities demand.

In setting the stage for further expansion of the local BPO industry, KPEP has also assisted Kosovo's Investment Promotion Agency in creating marketing materials that promote Kosovo as a BPO destination, catering in particular to those German-speaking countries that are home to the bulk of Kosovo's diaspora. KPEP has further established ties with Indian BPO

USAID Promotes Carbon-neutral Greenhouse Heating Systems



Support from USAID has defrayed the cost of implementing the first biomass-fueled greenhouse heating systems in Kosovo. The four systems burn wood processing waste, providing a low-cost and carbon-neutral source of heat that allows farmers to expand their production of hothouse tomatoes, cucumbers and peppers.

USAID, through its Kosovo Private Enterprise Program, or KPEP, underwrote 75 percent of the cost of the systems, located on farms in the regions surrounding Ferizaj/Urosevac and Mitrovica/Kosovska Mitrovica.

Farmers tell KPEP the heating systems will allow them to extend the growing season by two months each fall and another two months each spring, increasing yields, incomes and farm employment. The increased availability of locally grown hothouse vegetables also should lessen Kosovo's heavy reliance on imports. The largely rural country imports more than €100 million (\$133 million) in vegetable products annually.

Cold storage puts pepper producers and processors on path to growth

Kosovo is well-known for its peppers, which flood local produce markets in early fall with their reds, greens, oranges and yellows. Pepper farming supports the livelihood of many local growers and processors, especially in western Kosovo. However, a severe lack of supporting infrastructure has long left them at the mercy of sometimes fickle weather conditions.

Heavy autumn rains and the occasional early frost can severely reduce pepper quality and yield, slashing incomes.

USAID has worked closely with growers and processors of peppers and other vegetables to lessen the impact of weather conditions while increasing production and profits. Specifically, USAID's Kosovo Private Enterprise Program, or KPEP, has helped vegetable processors add 4,800 cubic meters (169,510 cubic feet) of cold storage capacity. The eight cooling chambers, of various sizes, are located in each of the main vegetable cultivation regions of the country.

As a result, local processors have increased the volume of fresh peppers they buy and make into ajvar, the distinctive relish enjoyed throughout the Balkans. The processors have also stepped up their output of pickled peppers and other locally grown vegetables.

One such processor, the majority women-run microenterprise Gratë Fermere, relied on assistance from USAID's KPEP to add 120 cubic meters (4,238 cubic feet) of cold storage. KPEP also provided the Rahovec/Orahovac-area company with a vegetable processing line and technical advice in support of HACCP certification. KPEP then worked with the Community Development Fund, or CDF, a donor-supported non-governmental organization, to help purchase a labeling machine. Kimete Hoti, one of the Microenterprise's owners, said the support has helped Gratë Fermere increase production while lowering its costs, allowing it to be more competitive on the market.

"Before, we had virtually no equipment—just a pot and a mixing spoon turned by hand. We were not taken seriously in the marketplace," Hoti says. "We could not purchase large quantities of peppers, as they would spoil. And sometimes we were left without peppers, as frost would destroy the harvest."

Gratë Fermere now processes 150 metric tons (165 tons) of locally grown,



"I was not for investing in a collection center when USAID initially proposed the idea. Knowing the market, it was something new and I did not think it would work. I was convinced only after I visited cooling chambers in Turkey and Macedonia"

fresh peppers and other vegetables a year, generating 80 metric tons (88 tons) of finished product. What the microenterprise can't process immediately, it stores in its cooling chamber, allowing it to extend production by at least a full month into the fall, all while drastically reducing weather-related losses. As a result, incomes have increased for processors and suppliers alike.

"Gratë Fermere is my neighbor, and last year we provided them with 10,000 kilos (22,000 pounds) of peppers," says Izet Duraku, a major pepper grower outside Rahovec/Orahovac, in western Kosovo. This year, Duraku adds, Gratë Fermere has already purchased two to three times as many peppers, all thanks to its new cold storage and processing capacity.

“For us producers, the cooling chamber and other support from USAID was very welcome. We can count on it to safeguard our output and reduce damage from rain and frost,” Duraku says.

KPEP research identified the addition of cold storage and processing lines as solutions to some of the major challenges facing Kosovo’s vegetable growers and processors. To achieve local buy-in, KPEP organized study trips to Macedonia and Turkey, showcasing for a select group of Kosovo

agricultural entrepreneurs the advantages that could accompany adoption of the technology.

Halim Behra said the study trip encouraged him to launch his own vegetable collection center in Krushë e Madhe/Velika Kruša, a village outside Rahovec/Orahovac. The business includes both an industrial scale and cooling chamber.